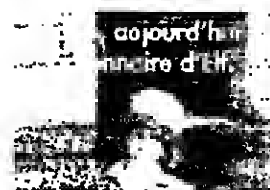




UK's black economy

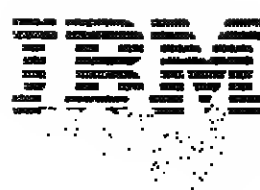
Targeting the moonlighters



French sell-offs

How to cope with a marketing nightmare

Page 7



Microchip battles

Will IBM's clones lead to war with Intel?

Page 13



Ukrainian industry

From swords to ploughshares

Page 10

FINANCIAL TIMES

THURSDAY AUGUST 26, 1993

D852

US bars high-tech sales to China and Pakistan

The US imposed economic sanctions on China and Pakistan, claiming they dealt in sensitive missile technology in violation of international arms controls. Washington will bar sales to both countries for two years of sensitive technology - with both military and civilian applications - at an expected cost to US companies of \$400m-\$500m in lost revenue. Page 12

UN aid trucks arrive in Mostar: A 27-truck United Nations aid convoy completed its journey to the besieged Bosnian city of Mostar after Croat demonstrators stopped blocking the route. Page 12

BAA-Taiwan deal closer: A deal looked likely between Taiwanese officials and British Aerospace to save a proposed £230m (\$372m) regional jets joint venture. Page 12

News Corporation: media and entertainment group headed by Rupert Murdoch, reported an 8.5 per cent earnings rise to \$873.9m (\$853m), reflecting improved performance from nearly all divisions, notably newspapers worldwide and US television interests. Page 13; Lex, Page 12; News International results, Page 18; John Fairfax results, Page 15

Keating in budget rise talks: The Australian government of prime minister Paul Keating, left, facing fierce opposition to tax increases, agreed to negotiate with smaller political parties which have threatened to block the budget in the upper house of parliament. The row has opened the possibility of fresh elections only five months after the administration was voted in. Page 4

MB-Caradon: building products and security printing group, is to buy most of the Pillar industrial businesses of RTZ, the mining company, for about £50m (\$81.2m). Page 14; Lex, Page 12; Building a new MB-Caradon, Page 17; Carnaud-Metabox sale hits half-year outcome, Page 17

Babangida set to go today: General Ibrahim Babangida, Nigeria's military ruler, was due to quit today after abandoning plans to head an "interim government". Page 4

Japan reform panel: appointed Keizai Shingikai, chairman of the Keizai Shingikai, Japan's top business grouping, was appointed head of a panel to identify structural economic reforms. Page 4; Pain of a strong yen, Page 4

Renault and Volvo near merger deal: Progress on merger plans between Renault, French car and truck manufacturer, and Volvo, its Swedish partner, could result in a deal before the Frankfurt motor show on September 7. Page 13

GPA Group: advisers expect the aircraft leasing company to sign a rescue deal within days with GE Capital, financial services arm of General Electric of the US. Page 13

Nicaragua hostages' hunger-strike threat: Hostages held by rightwing guerrillas in northern Nicaragua threatened to go on hunger strike unless they were freed. This followed the release of 21 other hostages earlier in the day.

Toyota Motor: Japan's largest carmaker, announced a 24 per cent drop in pre-tax profits to ¥266.4bn (\$2.7bn) for the year ended in June, and said the yen's appreciation could threaten its policy of lifetime employment. Page 15

Cathay profits sink: A strike at Cathay Pacific Airways earlier this year helped depress the Hong Kong carrier's profits for the first half of 1993. They sank 46 per cent to HK\$681m (US\$88m). Page 15

China anti-corruption drive: Chinese Communist party officials are being banned from trading on the stock market and having private business interests in a drive to root out corruption. Page 4

Saudi policy rethink: Saudi Arabia is to review its petrochemical policy after the cancellation of an \$800m petrol additives project involving Mobil of the US. Page 5

Airport security chief fired: Heinrich Weiss, security chief at Germany's second largest airport, Munich, was dismissed after reports that 2,000 security passes had been lost or issued to unauthorized persons.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3079.2 (+29.9)	New York lunchtime:	\$ 1.483
Yield	3.73	London:	
FT-SE Eurotrack 100	1318.83 (+14.11)	S	1.4225 (1.485)
FT-AI Share	1527.28 (+0.96)	DM	2.5025 (2.517)
Mittel	20,321.45 (+88.61)	FF	8.8675 (8.929)
New York lunchtime:		SF	2.2 (2.212)
Dow Jones Ind Ave	3557.88 (+18.72)	Y	185.5 (185.2)
S&P Composite	461.82 (+2.09)	Z Index	69.2 (69.7)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	3%	New York lunchtime:	
3-mo Treas Bill Yld	3.034%	DM	1.6725
Long Bond	6.19%	FF	5.2545
Yield	6.19%	SF	1.483
LONDON MONEY		Y	104.535
3-mo Interbank	5.75% (57.5)	DM	1.688 (1.681)
Life long gilt future - Sep 11/23 (Sep 11/23)		FF	5.36 (5.355)
NORTH SEA OIL (August)		SF	1.4845 (1.4785)
Brent 15-day Oct	\$17.00 (17.24)	Y	104.9 (103.7)
Gold		S Index	65.8 (65.4)
New York Comex Dec	\$375.5 (374.9)	Tokyo close Y	104.55
London	\$371.25 (373.45)		

Austria	Sch20	Germany	DM3.30	Malta	LM0.80	Slovenia	SR11
Bahrain	BD1.50	Greece	Dr200	Morocco	MD13	Singapore	S\$4.10
Belgium	Bfr2	Hungary	Ft100	Norway	Nkr4.75	South Africa	R10.40
Bulgaria	LV2500	Ireland	Ir215	Pakistan	Pkr45	Spain	PT210
Canada	CD\$1.00	India	Rs40	Poland	PLz1000	Sweden	SKr15
Czech Rep	Cz\$100	Israel	Sh\$3.50	Portugal	Pt\$200	Switzerland	Sfr75
Denmark	DKr15	Jordan	JD1.50	Philippines	Ph\$45	Syria	S\$250.00
Egypt	E\$2.50	Kuwait	KWD1.00	Poland	PLz1000	Turkey	TL1.250
France	FFr200	Luxembourg	LUf5	Qatar	QR1200	UAE	Dir1100

France signals acceptance of wider ERM bands

by John Ridding in Paris, Quentin Peel in Bonn and David Gardner in Brussels

THE FRENCH government signalled a more relaxed attitude towards the Exchange Rate Mechanism yesterday by indicating that France was in no hurry to return to the narrow bands which led to last month's currency crisis.

Mr Edouard Balladur, the French prime minister, made his conciliatory remarks on the eve of today's Franco-German summit in Bonn.

The meeting between the leaders of France and Germany is aimed at finding common ground on European economic and monetary union and resolving differences on trade and other bilateral issues.

Pressure on Mr Balladur and Chancellor Helmut Kohl of Germany to reach agreement increased when Mr Karel Van Miert, vice-president of the European Commission, warned that achievements like the single European currency could come apart if the momentum towards economic and monetary union

(Emu) was not regained. "The Community is living dangerously," the Belgian commissioner said yesterday, "and we could say that the Community itself is floating," along with its currencies.

A successful meeting today between Mr Balladur and Chancellor Kohl is vital if the European Community is to emerge from its current crisis in reasonable shape.

Mr Balladur said yesterday that France was determined to proceed with Emu. He added that France should avoid letting the

franc reach its new wider limit, agreed as part of the ERM reforms this month.

Mr Balladur said France was determined that the second phase of European economic and monetary union should come into effect on schedule next year and that he will discuss with Mr Kohl how to achieve economic convergence.

His statement on ERM fluctuation bands was interpreted by economists as a more pragmatic response to the European currency crisis which broke the franc's close link with the

D-Mark and widened bands from 2.25 per cent to 15 per cent. The expectation in Bonn is that the two heads of government will seek to give a clear statement of their determination to co-operate, without any very precise ideas on how to resolve their outstanding problems - including the future of the EMS and Gatt.

Proposals on how to maintain the momentum towards Emu, in spite of the recent currency upheaval, are still being discussed at the level of senior officials.

Although there is a desire to

promise closer co-operation on economic and budgetary policies, both sides are constrained by their domestic political realities. Mr Kohl is locked into a strict budget savings programme which does not allow for an early relaxation.

But Mr Karl Lamers, foreign policy spokesman of Mr Kohl's Christian Democratic Union, called on both sides to co-ordinate their economic policies.

Income tax cuts, Page 2
Kohl help on Gatt, Page 11
Editorial comment, Page 11

Inflation figures lift German rate cut hopes

Shares surge in Frankfurt ahead of council meeting

By Christopher Parkes in Frankfurt

FRESH SIGNS that inflation in western Germany could be turning down emerged yesterday, further fuelling speculation that German interest rates will be cut today.

Share prices surged in Frankfurt after news that annual inflation in three of western Germany's largest states had edged lower.

The mood in stock markets was also helped by a new record on Wall Street and by suggestions that the German automotive industry is showing signs of recovery. Frankfurt's blue chip DAX index closed more than 20 points higher at 1,917.73.

The state figures indicate that inflation could finally be coming down after being stuck at around 4.2 per cent to 4.3 per cent for most of this year.

A provisional annualised inflation rate for the whole of western Germany, based on the state-by-state figures, is expected before the end of the week.

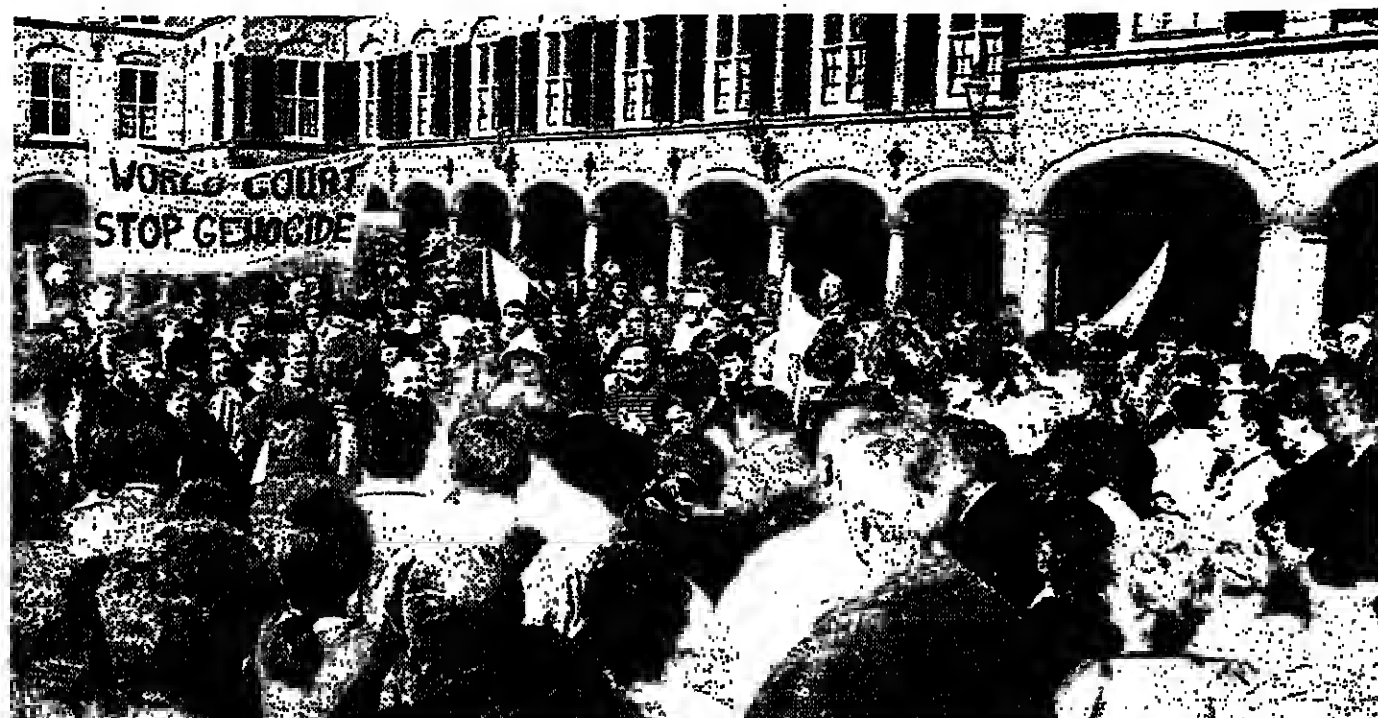
Market analysts suggest that a flattening of price rises could bring the rate down to 4.1 per cent in August from 4.3 per cent

in July. Inflation has been widely forecast to slide after the summer break, possibly dipping as low as 3.5 per cent by the end of the year, before rising again early next year.

Some market analysts said the signs pointed to a cut in the key discount rate at the Bundesbank's policy-making meeting today. Earlier this week, economists at Germany's leading 12 banks said they, too, expected a rate reduction. However, the central bank will also consider the latent inflationary pressure in the recent excessive growth of money supply. The Bundesbank has warned that it will cut rates only when the time is right.

Money supply figures published last week showed broad money, or M3, climbing at 7.5 per cent in July on a seasonally adjusted, annualised basis - far above the 4.5 per cent to 6.5 per cent target range. Mr Hans Tietmeyer, deputy president and president-elect of the Bundes-

Continued on Page 13
The Bundesbank and its mimics, Page 2
German car output, Page 2
Government bonds, Section II
Currencies, Section II



Bosnian Muslims demonstrated near the parliament building yesterday as Bosnia pleaded in The Hague for the World Court's protection, accusing Serbia and its ally Montenegro of genocide, rape and torture. UN convoy gets through to besieged Mostar, Page 12

Perot campaign to target trade deal

By Nancy Dunne in Washington

MR ROSS PEROT, the populist billionaire, is to launch a vigorous national campaign against the North American Free Trade Agreement which threatens to complicate the Clinton Administration's efforts to push the deal through a sceptical Congress.

Mr Perot is launching a book - *Save Your Job, Save Our Country: Why NAFTA Must Be Stopped Now!* - on September 6, Labour Day. He intends to push the book and fan fears of unemployment as a result of NAFTA in a string of speeches and television appearances over the next few weeks.

The political elite may scoff at Mr Perot, but the 150-page book, selling for an affordable \$6.95, is a well-organised, easy-to-read polemic against the agreement, between the US, Canada and

Mexico. The Clinton Administration has as yet given no sign that it can come up with a comparable response.

Speaking in simple terms, which elude trade negotiators, Mr Perot says that the US has been "out-traded again." Under the terms of the deal, Mexico's rickety, unsafe trucks will be able to move into the US before American trucks can carry goods in Mexico, he says. Mexican investors will be able to own entire US farms, forests and real estate, while US investors will be restricted to owning no more than 49 per cent of any enterprise

that owns agricultural or forest land in Mexico. The same applies to investment in construction.

Mr Perot highlights the "low wages and tame unions" which attract US executives to move production over the border. Mexico keeps its wages low and its health and safety rule enforcement lax, Mr Perot says. This produces "a giant sucking sound," the sound of jobs going south of the border.

US negotiators "gave away" jobs by allowing Mexico to keep in place most of its motor industry investment and production restrictions for another 10 years.

Mexico gets "unrestricted access" to US and Canadian feed grains (which both countries are competing to sell) to develop massive beef operations which will undercut the US and Canadian industries, he claims.

All this and much, much more was agreed by negotiators whose motives Mr Perot finds highly suspect. "Mexico's chief legal adviser... was a former under-secretary of trade at the US Commerce Department," he says. "The US team on the other hand was composed of bureaucrats."

Balladur-Kohl summit, Page 5

Brussels threat to airport ground-handling monopolies

By Andrew Hill in Brussels

THE European Commission's competition commissioner yesterday threatened to use controversial legal powers to break open monopolies in airport ground-handling services.

Mr Karel Van Miert said a special directive aimed at deregulating services such as passenger check-in, baggage handling and refuelling would be the "best general solution" to the problem of monopolies at some EC airports.

He is considering the use of Article 90 of the EC treaty, which allows the Commission to impose liberalisation on intransigent member states.

Seven EC airlines have complained to the Commission about alleged abuse of ground-handling monopolies at Milan, Frankfurt and across Spain, KLM, the Dutch carrier spearheading the complaint, claims that charges for services at these airports are between 30 and 50 per cent higher than at airports offering a choice of services.

Mr Van Miert said yesterday that the Commission had also received formal complaints from airlines and private ground-handling companies concerning other German and Portuguese airports. Informal complaints have also been lodged against airports which he would not name.

The commissioner said all the formal complaints would be investigated. But he added that competition officials were already working on a draft directive, which could be imposed on EC governments using Article 90, or passed under the usual procedure, which requires member states' approval.

Mr Van Miert's predecessor, Sir Leon Brittan, frequently threatened to use Article 90 directives to break open energy, postal and telecoms monopolies. This is the first time that Mr Van Miert has openly backed the use of Article 90 in a specific sector.

But he stressed that fellow commissioners, member states, the European Parliament and all the interested parties would have to be consulted.

Some monopoly airports claim safety will be compromised if too many rival companies are allowed to compete for ground-handling contracts.

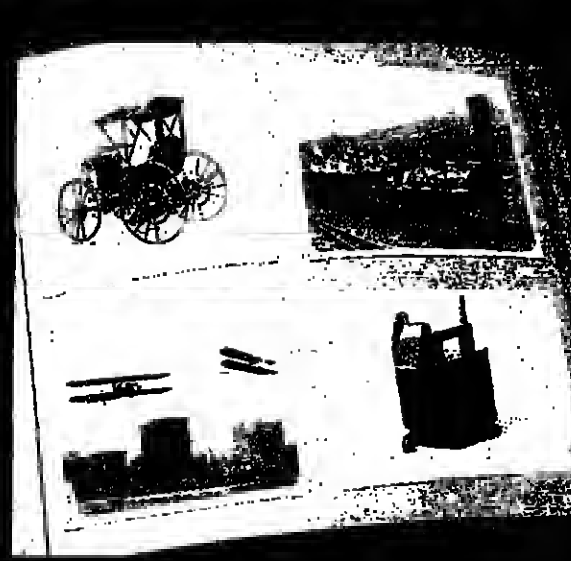
As transport commissioner until January, Mr Van Miert pushed through the latest package of airline liberalisation. He said that a situation where competition in ground-handling services was restricted would become "more and more intolerable" as the rest of the civil aviation sector was liberalised.

The Spanish state-owned airline Iberia yesterday denied claims that it had abused its dominance of Spanish ground-handling services by overcharging foreign airlines.

Prospects for a voluntary cut in EC-wide steel capacity have improved over the last month, Mr Van Miert indicated yesterday. But he said the Italian and Spanish industries had not yet met strict demands for cuts in state aid or capacity.

Mr Van Miert said there had been some progress in recent discussions with Italian officials, and with the new Spanish industry minister. Rome submitted outline plans for the future of Ilva, the state-owned producer, last week and has promised to supply more details next month.

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NEWS: EUROPE

German car output on road to recovery

By Christopher Parkes in Frankfurt

THE German motor industry is starting to recover from its year-long slump, despite a 32 per cent fall in output during July, the VDA industry association said yesterday.

The improvement will be slow, and hampered by increases in German petrol taxes, but car production could increase next year by as much as 6 per cent, according to Mr Achim Diekmann, association director.

Domestic deliveries could rise by around 100,000 during 1994 after tumbling an estimated 800,000 this year to around 3.1m, while foreign demand, especially in the UK, might increase exports by 200,000 from this year's expected level of 2.2m.

Ms Erika Emmerich, association president, said the fall in

new orders had stopped earlier this year. A modest increase in demand detected since then should start showing up in increased deliveries within six months.

However, in the medium term the association expects global demand for cars to increase by an average of only 2 per cent a year. Its annual report, published yesterday, said sales in western Europe, the US and Japan would grow only 1.5 per cent annually for the rest of the century.

Meanwhile, the German industry was pressing ahead with restructuring. "Sleeves are being rolled up everywhere, costs are being reduced and the pace of innovation speeded up," Ms Emmerich said.

Since July 1991 the industry had shed 100,000 jobs and its current workforce of 887,000 was heading down towards

600,000. Wage costs account for around 70 per cent of the total production cost of a German car.

Vehicle makers and suppliers were determined to reduce costs by between 20-30 per cent in the next two years, she added.

Last month's 32 per cent production slump, exaggerated by the traditional holiday season shutdowns, brought the cumulative decline in output for the first seven months of the year to 26 per cent, the association said.

For the full year it expected a 20 per cent drop in production of cars, trucks and buses to just over 4m, compared with 5.2m in 1992. New car registrations in Germany for 1993 are likely to fall 21 per cent to 3.1m, while commercial vehicle registrations will drop almost 8 per cent to 250,000 units.

VW may sacrifice López

By Christopher Parkes

MR Klaus Liesen, chairman of Volkswagen's supervisory board, has for the first time raised doubts about the group's ability to hold on to its controversial production director, Mr José Ignacio López de Arriortúa.

In an interview to be published today, he hinted that the company could be forced to sacrifice Mr López.

It was legitimate to ask how long a company could put up with a continuous barrage of unconfirmed suspicions, he told Die Zeit, the weekly newspaper.

Asked if VW was prepared to tolerate a long legal battle with GM and its German subsidiary, Adam Opel, Mr Liesen said the supervisory board, which has

hiring and firing powers over executive directors, had to retain its freedom of action.

This, he said, meant "that within the limits of our authority we apply those measures which are in the interests of the company".

Mr Liesen repeated that he stood behind Mr López, under investigation for alleged industrial espionage and theft of secrets from Adam Opel. Internal VW investigations contradicted media claims that Opel data had been stored in VW computers.

He told Die Zeit that the supervisory board's vote of confidence in Mr López and the former GM employees who came to VW with him was based on their statements, some in the form of sworn testimony.

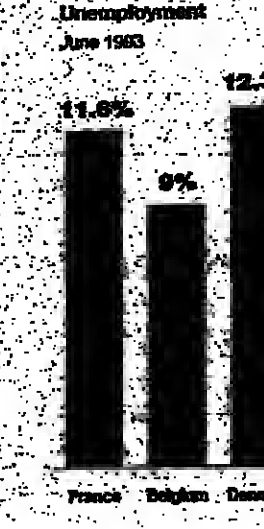
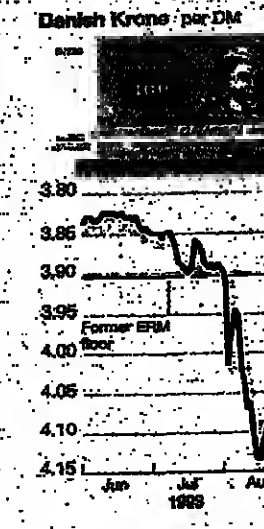
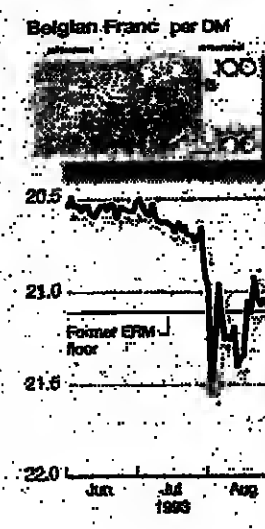
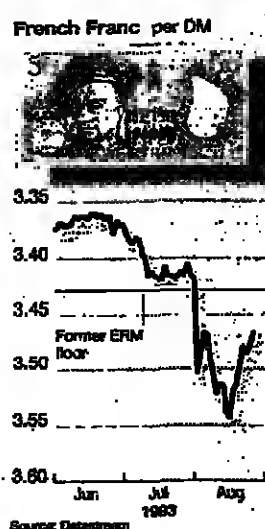
"Can anyone expect a company to make personnel decisions damaging to itself although allegations against it cannot be proved?" he asked.

The loss of the Spanish cost-cutter, who left GM last March, would be a handicap for VW, particularly in its efforts to restructure production, he said. Mr Liesen accepted that no manager was irreplaceable, although he stressed he was not suggesting resignation.

The shift in Mr Liesen's position - he has hitherto been one of Mr López's stoutest defenders - suggests a reaction to the widespread conviction in the German business community that Mr López must go if damage to VW's reputation is to be contained and its prospects of recovery protected.

Car parts results, Page 14

Currencies supported despite high jobless rates



The Bundesbank and its mimics

THE exchange rate mechanism has been relaxed and most of the system's currencies can fluctuate in much wider bands. Now Europe's bankers are asking the next logical question: should we care any longer what the Bundesbank does to German interest rates?

In recent years European governments have anxiously awaited each fortnightly meeting of the Bundesbank's policy-making council. Many of the alterations in German interest rates announced at the regular Thursday session have been followed by changes in domestic monetary policy to ensure that a country's currency did not fall close to its ERM floor against the D-Mark.

But the recent widening of the ERM fluctuation bands allows currencies to drift over wide margins. And, in theory, ERM member states need no longer ensure that their short-term interest rates are above Germany's.

The reality is different, however. The Bundesbank's decisions will affect European monetary policy. The results of today's meeting are keenly awaited across Europe, with

strong expectations that the discount rate will be cut by at least half a percentage point.

Bundesbank policy matters on a European level because France, Denmark and Belgium are determined to keep their currencies as close to their former ERM bands as possible.

The French government is politically committed to a franc fort policy and might be embarrassed by a clear devaluation

the last two weeks but has not cut official interest rates. Earlier this week Denmark cut the cost of short lending to 10 per cent, a level that may be too high given its heavy unemployment.

Belgium has been toughest of all, leaving its main official interest rate at 9.5 per cent, and reaffirming yesterday that it will adhere strictly to this policy.

However, economists do not

led economists to put forward two main scenarios for European interest rates between now and the end of the year.

● The Bundesbank could cut interest rates more quickly than is currently expected - allowing other countries to cut rates without an adverse effect on their currencies.

Yesterday's inflation figure for the German state of North Rhine Westphalia, at an annualised 4 per cent, was better than expected - and this may encourage the central bank to ease policy.

● The more likely scenario is that the Bundesbank will keep policy tight, and fears that money supply growth has shot well beyond its target range of 4.5 per cent to 6.5 per cent.

France, Denmark and Belgium could mimic this policy for a while to keep their currencies strong. But they would be forced to cut interest rates as dealers took the view that the policy was unsustainable. Fixed-income investors, who bought long-dated government bonds of these countries in anticipation of rate cuts, might threaten to sell them and take profits if short-term rates are not cut quickly.

This is a strongly-held view in currency markets and has

France, Denmark and Belgium are shadowing German monetary policy. Can they keep it up, asks James Blitz

of the franc; Belgium and Denmark fear that a decoupling of monetary policy from Germany would lift the veil on fundamental economic problems that could be ignored when the European monetary union project was at its strongest.

None of these countries has repeated the UK government's policy of sharply cutting interest rates in the weeks after sterling quit the ERM last September.

France has trimmed its overnight lending rate five times in

believe that these countries can maintain strong currencies through high interest rates for much longer.

"These currencies came under pressure because high interest rates were seen as incompatible with high unemployment," said Mr Paul Chertkow, global currency strategist at UBS in London. "If their rates are not brought down, the currencies will come under pressure anyway."

This is a strongly-held view in currency markets and has

Balladur pledges income tax cuts to help economy

By John Riddling in Paris

MR Edouard Balladur, the French prime minister, yesterday announced a series of tax initiatives to increase consumer demand and help revive France's recession-hit economy.

Outlining what he described as a "new stage" in the action of his government, Mr Balladur said that income taxes would be cut by about FF17bn (€1.9bn) following a reform of the fiscal system in the budget for 1994. Tax breaks would also be introduced to encourage consumption and housing expenditure, he said.

But despite these fiscal measures, Mr Balladur said he remained committed to the government's objectives of financial discipline and non-inflationary growth.

He said that the target for the budget deficit remained at FF317bn this year and FF300bn in 1994, and that this would be achieved by limiting the increase in state expenditure to just over 1 per cent next year.

The tax measure will be combined with a five-year plan to reduce unemployment. The plan, which includes the transfer of social security payments for the lowest-paid workers



Balladur: begins 'new stage'

from companies to the state, will be discussed with trade unions next month and he submitted to parliament in October.

Economists said that the various measures would have little impact on growth and unemployment in the short term, and that the French economy needed lower borrowing costs to help stimulate the economy. Gross domestic product is forecast by most economists to contract by about 1.5 per cent this year and unem-

ployment is expected to rise to about 12.5 per cent by the end of December. Mr Balladur has resisted a rapid cut in interest rates following the European currency crisis which broke the French franc's close link with the D-Mark. He expressed satisfaction with France's long-term interest rates, which he said were among the lowest in Europe.

The reduction of income taxes, which will be achieved through a reform of France's complex system of tax bands, is expected to be of particular benefit to average wage earners. The other tax measures include tax exemptions for capital gains made on selling mutual fund assets if the proceeds are used to buy houses.

The time required to withdraw savings from tax-exempt savings funds may also be reduced in an attempt to stimulate depressed consumer spending, Mr Balladur said.

● The French are in two minds about the prime minister, Mr Edouard Balladur. Recent reports from Paris

A poll in the weekly L'Express shows his support up 10 points to 64 per cent. Another poll in the weekly l'Evenement du Jeudi showed a nine-point fall to 40 per cent in approval of his economic policies.

Italians' fast track to jobs

By Haig Simonian in Milan

THE Italian government is considering accelerating work on the country's ambitious new high-speed train project to stimulate the faltering economy and create up to 50,000 new jobs.

The proposal to begin construction by the end of this year was raised at a meeting in Rome yesterday between Mr Raffaele Costa, the transport minister, and representatives of the principal companies involved in the 128,000km (81,500mi) plan to link Italy's main cities with new super-fast trains.

The proposals came just before today's planned meeting between Mr Carlo Azeglio Ciampi, the prime minister, and senior ministers to consider the increasingly gloomy economic outlook when most factories re-open after the summer holiday break next week. The economy has been hit by a steep fall in output and demand this year because of the recession.

Contrary to expectations, higher exports thanks to the lower lira have failed to offset the impact of the domestic slowdown. Some economists expect Italy's unemployment rate to exceed 12 per cent by

December, as more companies, particularly in manufacturing, cut their workforces.

Italy now has almost 3m people either out of work or on government-subsidised redundancy schemes.

Unemployment levels range from almost 8 per cent in the north and centre of Italy to more than 21 per cent in the economically-depressed south.

In the first half of this year, the number of idle hours spent by temporarily laid-off workers in special short-term redundancy schemes soared by 26 per cent. The downturn has triggered increasingly pessimistic forecasts for unemployment and warnings that rising jobless queues could affect public order.

Mr Nicola Mancino, the interior minister, warns of rising social tensions in cities such as Genoa, Naples, Rome, Milan and Reggio Calabria, where further job losses loom.

However, the Confindustria employers' association yesterday sought to play down gloomy forecasts that a further 750,000 jobs are at risk.

According to Mr Stefano Micossi, Confindustria's head of research, the increase in unemployment for the whole of this year is unlikely to exceed 200,000.

Russian leader's gesture of reconciliation



Russia's president lays a wreath at the monument to 20,000 Poles murdered by Soviet secret police

Yeltsin seeks to heal Katyn wounds

By Christopher Bobinski in Warsaw

PRESIDENT Boris Yeltsin yesterday became the first Russian leader to lay a wreath at a monument to 20,000 Polish officers and civilians murdered in 1940 by the Soviet secret police.

Relatives of the victims praised Mr Yeltsin for the gesture intended to heal wounds over the massacre at Katyn forest near Smolensk. Until 1990 Moscow blamed their deaths on the Germans. Polish officers and civilians, interned in 1939 in the Soviet Union, were murdered on Stalin's orders. The site of the monument in a wooded Warsaw cemetery was long regarded by Poles as the symbolic grave of the men murdered at Katyn and elsewhere.

However, the relatives urged Russia to release all documents about the crime and to build a cemetery for the victims.

Earlier Mr Yeltsin told Mr Lech Walesa, the Polish president, that the Russians would bring forward the withdrawal of 1,000 troops stationed in Poland by three months to the end of October.

The two leaders also signed a trade agreement regulating customs procedures and committing both countries to GATT rules. Last year Poland had a \$40m trade deficit with Russia. The first half of this year saw Poland's deficit narrow to \$39m.

The talks have, however, left unresolved the question of debts expressed both in the now devalued "convertible" rouble and US dollars.

Romania tiptoes along reform path

Privatisation has got off to a slow start, write Robert Corzine and Virginia Marsh

ROMANIA'S official privatisation programme has only just completed its pilot phase two years after enactment of the privatisation law. State companies, which dominate the economy and which have accumulated an inter-enterprise debt of about 1,900bn Lei (\$2.3bn), equivalent to about 20 per cent of GDP, remain untouched.

The fact that many large state enterprises are resisting reform has raised suspicions they are doing so with the sympathy, if not the support, of senior members of the government.

The lack of political will to implement the privatisation programme and reform the state sector is a reason the government has been unable to sign a 1993 standby agreement with the International Monetary Fund. A successful outcome to the talks would have unlocked \$3bn in aid pledged by G24 countries.

Formal barriers to speedier structural reform and privatisation, such as the lack of a bankruptcy law and capital markets, still exist. But Romanian officials involved in the

reform process cite a variety of informal barriers.

Until recently, for example, the five directors of the State Ownership Fund (SOF), the body charged with valuing, restructuring and selling 6,200 companies by the year 2000, had to make do with sharing a single room.

The SOF still has a staff of less than 100 operating out of a dingy Bucharest office building, having been rehuffed in its attempts to find more suitable accommodation in ministry premises.

The delays to the official privatisation programme have not, however, prevented state property from finding its way into private hands. Directors and officials of state enterprises are barred from buying assets of state companies which can be sold at official auctions.

But "spontaneous" privatisations, whereby state assets are sold cheaply to private companies in which officials or their relatives have an interest, is common, according to reformers.

Mr Paul Miercan, general manager of the SOF, conceded

that it was "very difficult" to stop the "moral degradation" taking place during Romania's patchy transition to a market economy. The scale of the problem is impossible to quantify, but he acknowledged that out of 73 companies sold by the Fund by mid-July, there were "upwards of 20 cases" where irregularities were confirmed.

Mr Aurelian Dochia, president of the National Agency for Privatisation, says the phenomenon of "spontaneous" privatisation is "one of the most important arguments" in favour of moving as quickly as possible in selling off the state companies. "The substance of the state sector is being sucked into the private sector," he says, "with the possibility that only empty shells will remain."

Romania's fledgling class of private entrepreneurs complain that government policies encourage the inefficiency of the state sector at the expense of the country's overall economic health.

Private companies say they cannot raise capital for new projects but that state banks,

which handle 90 per cent of loans, are still lending to heavily indebted firms.

With little pressure on state company managers to be profitable, they have not felt compelled to contract out work to new private businesses or to lease surplus production facilities or property.

But statistical and anecdotal evidence suggests all is not gloomy for private businesses. Mr Mike Hicks, the Bucharest representative of the European Bank for Reconstruction and Development, believes the momentum towards a market economy is unstoppable.

"Two years ago we were desperate to get involved with private sector projects, now we can't keep up with those being put forward."

Official figures to the end of June recorded 266,061 companies with private capital and 207,846 private entrepreneurs, a common structure for farmers who have benefited from the return of collectivised land.

The private sector accounted for 40 per cent of retail sales in the first half of the year compared with 7.1 per cent in the same period in 1991. It also

accounted for 44 per cent of services compared with 6.5 per cent in 1991.

While statistics indicate that GDP in 1992 was less than \$600 per head, officials acknowledge that there is a large black economy. The central bank believes the black market is driven by some \$1bn in hard currency cash equivalent to 25-30 per cent of GDP. "There is public discontent that some people are getting rich unfairly through corruption and deceit," says Dr Petre Datulescu of Irsoop, a Bucharest polling organisation.

Yet Irsoop surveys also show consistent public support for privatisation, and an acceptance of the social inequality which comes with a market economy, though about 25 per cent oppose market reforms.

Mr Misu Negritoiu, deputy prime minister in charge of reform, believes some opposition comes from a lack of transparency and valuation problems in the privatisation process. "Once we open mass privatisation and establish a transparent procedure, maybe the attitude of the population will change," he says.

THE FINANCIAL TIMES
Published by The Financial Times
(Europe) GmbH, Mittelungsgesellschaft
AG, Frankfurt am Main, Germany.
Telephone: +49 69 156 530. Fax: +49
69 156 441. Telex: 416193. Represented
by Edward Hign, Managing Director,
Printer: DVM Druck-Vertrieb und
Marketing GmbH, Adm.-Kontroll-
Strasse 34, 43263 Neuss (owned by
Hannover International).
Responsible Editor: Richard Lambert,
The Financial Times Limited,
Number One Southwark Bridge,
London SE1 9UL, UK. Shareholders of
the Financial Times (Europe) Ltd.
London and F.T. (Germany)
Admissions: Ltd, London, Shareholder
of the above mentioned two companies
is: The Financial Times Limited,
Number One Southwark Bridge,
London, SE1 9UL. The Company is
incorporated under the laws of England
and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 108, Rue
de Rivoli, F-75004 Paris Cedex 01.
Telephone: (01) 4297-0621. Fax: (01)
4297-0627. Printer: S.A. Nord Editeur,
1521 Rue de Caen, F-91000 Roissy.
Cedex 1. Editor: Richard Lambert.
ISSN: ISSN 1121-2553. Commissioner
Paritaire No 67080D.
DENMARK
Financial Times (Scandinavia) Ltd,
Vimmelskaftet 42A, DK-1151
Copenhagen. Telephone: 33 13 44 41.
Fax: 33 93 57 35.

US durable goods orders fall sharply

A BIG drop in demand for new cars and aircraft pulled orders for durable goods down sharply in July, the Commerce Department said yesterday. Retailer reports from Washington.

Last month's 3.8 per cent fall in orders followed a revised gain of 4.5 per cent in June that previously was reported as a 3.5 per cent increase. It was the fourth monthly decline in the past five months and much sharper than Wall Street economists' expectations of a 1.2 per cent decrease.

The July drop was entirely in the transport sector and reflected the tepid pace of new-car sales as well as a weakening in volatile demand for costly passenger aircraft. Orders excluding transport gained moderately in both June and July.

The pace of sales for North American-made cars and light trucks has picked up in mid-August from the beginning of the month and car makers say they intend to raise output

during the third quarter when new models start to roll off assembly lines.

Durable goods orders are considered a good gauge of the economy's health. They are generally expensive and take longer to produce so that orders measure both demand and future employment prospects among manufacturing companies.

Total orders in July were worth \$127.5bn (\$24.9bn) compared with \$123.5bn in June. Orders for defence goods, which experience wide monthly swings, gained by 13.2 per cent last month after a 4.5 per cent rise in June.

If defence is excluded, overall orders in July fell by 4.5 per cent after the 4.5 per cent June rise.

Transport sector orders fell in July by 13.1 per cent after a 14.3 per cent June increase. The department said it was the biggest monthly drop in such orders since November 1990 when they fell by 25.2 per cent.

Canada election likely in October

MS KIM Campbell, Canadian prime minister, is likely to call soon for an October general election, Reuters reports from Ottawa.

With 1.6m Canadians unemployed, the campaign is expected to focus on who can best put people back to work and curb public debt, without cutting costly welfare services or raising taxes.

Ms Campbell, who succeeded Mr Brian Mulroney as Conservative leader and became Canada's first woman prime minister two months ago, is expected to announce the election in the next week or two. It will probably be held on October 18 or 25.

Ms Campbell, a 46-year-old lawyer, has crisscrossed Canada in recent weeks, meeting voters, to try to distance herself from Mr Mulroney, who stepped down in June as Canada's most unpopular leader since 1945.

She will explain her economic policy to Toronto business-

nessmen tomorrow. Opposition leaders have accused her of party political campaigning on taxpayers' money and want her to call the election as soon as possible so that all parties may enjoy free media time.

Under Canada's British-style parliamentary system, Ms Campbell automatically became prime minister on winning the party leadership in June, but her party's mandate to govern is to run out this autumn.

Recent opinion polls show Ms Campbell to be far more popular than Mr Jean Chrétien, the Liberal party leader.

A Gallup poll published last week found that Conservative support had risen in July from 33 to 36 per cent, four points behind the Liberals, who had slipped from 43 per cent.

Mr Chrétien, whose party was shut out of power for nine years by Mr Mulroney, said Ms Campbell had only a summer job and that recession-weary voters would oust her.

Developers attack wetlands protection plan

By Lisa Bransten
in Washington

US MINING and development interests have attacked the Clinton administration's plans to end the divisive debate over protecting US wetlands, hours after these were announced.

Interest groups, led by the National Association of Home Builders and the American Mining Congress, filed a suit

in Washington late on Tuesday, in an effort to stop one of the plan's provisions.

The suit challenges the administration's ability to require permits for all building excavation in wetlands areas, which would be a toughening of previous policy.

The suit alleges that the nine federal agencies which developed the plan acted illegally by adopting the new rule

administratively, rather than submit it to Congress.

"This is going to cause a lot more people to have to get permits in a system that is already overburdened," said Ms Cynthia Adcock of the home builders' association.

Developers, agricultural interests and environmentalists gave mixed reactions to the plan, which offers some concessions to all parties but

satisfies none completely.

Developers are to be allowed to operate "mitigation banking", whereby property owners may buy the right to drain a wetland by contributing to a fund set up to restore such land elsewhere. Also, a new rule would allow property owners denied building permits the right to appeal without going to court.

Environmentalists are

pleased with a provision that would prevent indiscriminate development of more than 1.5m acres of wetlands in Alaska, and with the president's commitment to no net loss of wetlands in the short run and to restoration in the long run.

Many are angry, however, that the agriculture department would be responsible for identifying wetland areas and

that the plan does not protect more than 53m acres of wetlands drained prior to 1985.

"We believe that the package, on balance, is a net loss for America's wetlands," said Mr Michael Crook of the National Wildlife Fund. He said mitigation banking could encourage development of wetlands by making it easy for property owners to comply with requirements.



NICARAGUAN HOSTAGES RELEASED BUT OTHERS STILL HELD

Cardinal Miguel Obando y Bravo of Managua, pictured on arrival at the northern Nicaraguan town of Quilali, helped to secure the release of 11 left-wing hostages there early yesterday. Contra rebels, however, continued to hold five hostages and said they had

suspended their talks with the cardinal after spotting government troops nearby. He said later yesterday he was seeking more talks. The rebels are demanding that left-wing Sandinistas be ousted from the Nicaraguan government. The releases came after former

Sandinista gunmen holding hostages in Managua had freed three conservative politicians late on Tuesday. They continue to hold Vice-President Virgilio Godoy and five colleagues in order to try to force the release of the left-wing hostages at Quilali.

Haiti PM seeks end to embargo

By Canute James
in Kingston

HAITI'S new prime minister, Mr Robert Malval, has appealed for an early end to the international economic embargo which has squeezed the Caribbean nation.

He made the request after Haitian legislators, with apparent reluctance, had confirmed his nomination to the post.

This has completed another stage in a 10-stage sequence for the eventual return to office of President Jean-Bertrand Aristide, who was overthrown and exiled by the army almost two years ago.

Under an agreement secured via the United Nations, and which has led to the resignation of Gen Raul Cedras, the army leader, Father Aristide is to return to Haiti on October 30, after Mr Malval's govern-

ment has been installed and the sanctions lifted.

The Haitian chamber of deputies voted on Monday to ratify Mr Malval, a 59-year-old publisher, who is Mr Aristide's choice for premier.

This followed ratification by the Senate a week earlier, but the new prime minister is facing opposition over the composition of his cabinet.

This will have to be approved by parliament before

the sanctions can be lifted. However, legislators dislike the absence from Mr Malval's list of prospective ministers of members of Haiti's conservative parties, which hold the majority in parliament.

The country of 7m people has fuel for only a few days because of the embargo. This could lead reluctant legislators to approve Mr Malval's cabinet so as to have the sanctions lifted.

Salinas wins voting reforms in Congress

By David Luhnow
in Mexico City

MEXICO'S Congress has approved a package of political reforms which the government hopes will give a more democratic gloss to the country's authoritarian image.

The changes were passed easily, late on Tuesday, with votes from the ruling Institutional Revolutionary Party (PRI) and two opposition parties. Three opposition parties voted against.

The reforms regulate what the opposition claims is the PRI's unchecked access to public funds and the news media, and put limits on campaign financing. Also, for the first time in Mexican history, any offspring of foreign-born parents will be allowed to become president, as of 1999.

Other important reforms will: ● Open the Mexican Senate to opposition representation by allowing a third, minority-party senator from each state. ● Introduce some proportional representation into the way the lower chamber of Congress is elected. ● Set up a federal body to oversee elections.

The proposals are seen as the last chance for President Carlos Salinas, who has won international praise for his bold economic reforms, to fulfil promises to modernise Mexico politically.

The PRI, which has governed Mexico for the past 63 years, needed only its own Congressional majority to pass the proposals, but it negotiated the support of the conservative National Action Party (PAN) so as to give the reforms credibility at home and in the US. Some US legislators are

demanding a more democratic Mexico before they ratify the North American Free Trade Agreement.

The PRI won over the PAN by allowing a minority-party senator from every state and allowing presidential candidates with foreign-born parents, an old PAN demand.

"Since he won some opposition support, Salinas can market these reforms as democratic, both here and abroad," said Ms Denise Dresser, a political scientist at Mexico's Autonomous Technological Institute (ITAM). But the moves failed to win the approval of the nation's most powerful opposition force, the leftist Party of the Democratic Revolution (PRD).

In 1988, a leftist alliance, which later formed the PRD, lost to Mr Salinas a hotly contested presidential election marred by charges of fraud by the PRI. During the next few days, the PRI and the PRD will meet in a last attempt to gain PRD support, although this is seen as unlikely.

"The changes are unacceptable," says Mr Porfirio Muñoz Ledo, head of the PRD. "They show the PRI is not prepared to think about losing elections." Many opposition members maintain the PRI will use these latest reforms to increase its grip on power.

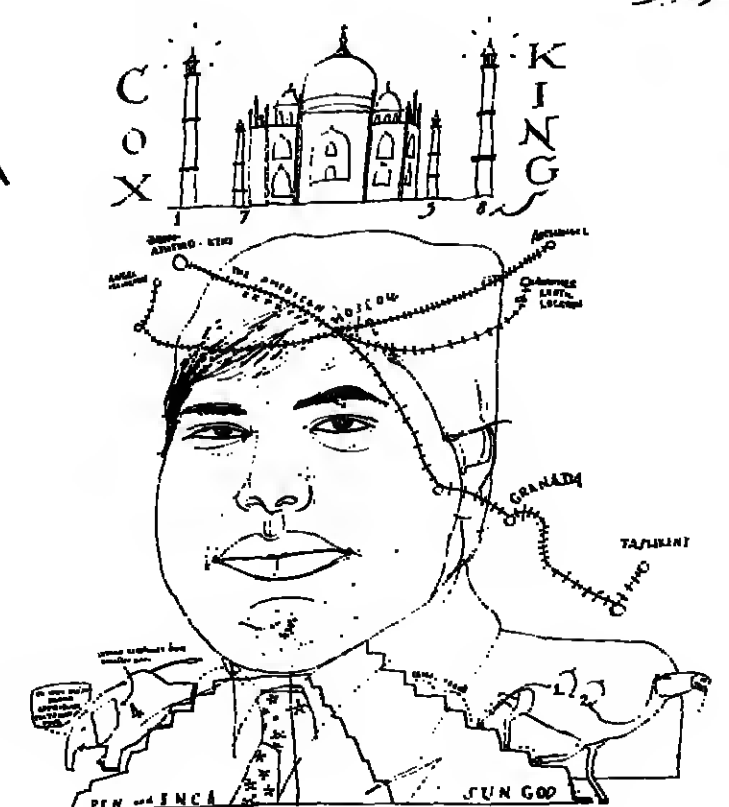
"The change in electing deputies will increase the PRI's over-representation via a more proportional system of representation," says Juan Molinar, an electoral expert with the Colegio de México. "Although the reforms sound good, it means the PRI can get 40-something per cent of the vote and end up with 60-something per cent of the seats."

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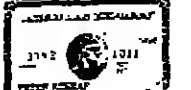
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NEWS: INTERNATIONAL

Babangida expected to give up grip on power today

By Leslie Crawford in Lagos

GENERAL Ibrahim Babangida, Nigeria's military ruler since 1985, was set to relinquish power today after bowing to pressure from fellow army officers to hand over to a non-elected civilian administration. After plotting for weeks to extend his rule, Gen Babangida is understood to have abandoned plans to install himself at the head of an "interim government". During tense meetings of the ruling military council this week, Gen Babangida's service chiefs are said to have threatened open rebellion if he insisted on clinging to power.

The 62-year-old soldier, veteran of three coups, was told by his officers he had discredited the armed forces by reneging on a pledge to return Africa's most populous nation

to democracy. His decision to annul the June presidential poll, they said, was responsible for plunging Nigeria into the worst political crisis since the 1967-70 Biafran war. The resolution of the crisis is likely to be an anti-climax. A farewell military parade in the capital Abuja will see off the troublesome general. It will be followed by an inauguration ceremony for the interim civilian administration.

Diplomats believe the new government will be composed largely of members of the outgoing Transitional Council, a civilian team appointed by Gen Babangida six months ago which has been singularly ineffective in arresting Nigeria's economic decline. Chief Ernest Shonekan, chairman of the Transitional Council, is tipped to become Nigeria's new president.

Gen Babangida, however, is not expected to remain active behind the scenes. His officers, led by Gen Sani Abacha, the defence minister, are reported to be too angry to let him stay. "Babangida will probably speed some time cooling his heels at his mansion in the Ivory Coast," a diplomat in Lagos said. The Babangidas also own property in France and Switzerland.

But the military are not expected to leave the stage entirely. One of the key questions still to be answered is whether the National Defence and Security Council, the ruling military body, will dissolve itself with Gen Babangida's departure or continue in some advisory capacity.

"We still don't know whether we are getting another military government with a civilian facade, or a truly civilian

administration," Gen Olusegun Obasanjo, a former president and the only Nigerian military ruler to have voluntarily left office, said yesterday. "If Babangida completely leaves the scene, perhaps the people will learn to live with a non-elected administration. But it is clearly no substitute for a democratically elected government."

Chief Moshhood Abiola, winner of the aborted presidential contest, said yesterday from his self-imposed exile in London that he had not abandoned his claim to the presidency. "I will return to Nigeria as soon as it is safe for me to do so," he promised. "I cannot mount a challenge while my life is in danger."

Chief Abiola said it would be a "mortal error" for western governments to recognise Nigeria's new leaders.

Talks pressure and finances divide PLO

Julian Ozanne examines the turmoil on the Palestinian side before negotiations resume

A FINANCIAL crisis in the Palestinian Liberation Organisation combined with divisions about what if any concessions to make to Israel have left the Palestinians floundering as they prepare for a further round of talks with Israel in Washington next week.

Analysts say the turmoil is the result of soul searching about the need, under increasing Arab and international pressure, to make compromises to reach a deal with Israel. Negotiations have yielded nothing in 22 months and conditions in the Israeli-occupied territories have deteriorated.

Mr Yasser Arafat, chairman of the PLO for 25 years, was yesterday confronted with revolt within the movement over his authoritarian leadership style and his management of the crisis.

Two members of the 18-strong PLO executive committee have resigned in the past week and there have been calls for Mr Arafat to stand down.

In Amman yesterday Mr Arafat dismissed any talk of crisis but he is expected to feel the heat at a meeting of the executive committee in Tunis today.

His critics have concentrated their fire on two related problems: the financial crisis caused by PLO backing of Iraq in the Gulf war and Mr Arafat's apparent willingness, without consultation, to make concessions to Israel.

After the PLO supported Saddam Hussein in 1991, Gulf states suspended millions of dollars of direct financial aid to the PLO and expelled hundreds of thousands of Palestinian guest workers who sent 7 per cent of their salaries to the organisation.

The PLO has cut its annual budget from \$320m (\$215m) to \$140m in the past two years. It has had to close offices and newspapers, delay salaries and monthly gratuities to more than 39,000 employees and dependants and suspend funding of universities, hospitals, municipalities and scholarships in the Israeli-occupied West Bank and Gaza Strip.

At a time of mounting criticism the PLO cannot buy political support by spreading cash around the occupied territories and risks being outspent by the Iranian-funded Hamas, which is rapidly developing a network of social services and welfare projects.

According to Mr Léotard, France would maintain its troop presence in the former Yugoslavia. But he said that he wanted to see stronger UN command in the field to increase the safety of the 6,000 troops stationed there. He said that French troops would continue to be available for other UN missions.

France has about 1,400 troops in Cambodia. It has been active in seeking a solution to the civil war there, co-chairing the Paris conference in which the four conflicting factions signed a peace accord.



Arafat in Amman yesterday with the widow of a Palestinian military commander; now 25 years of leadership are under fire

posals that provides for the immediate assumption of full Palestinian authority in the Gaza Strip and West Bank town of Jericho leaving the rest of the West Bank under some form of interim self-government.

In return Mr Arafat might be willing to make compromises on control over occupied Arab East Jerusalem during the interim phase - the current sticking point in peace talks.

Mr Nayef Hawatmeh, leader of the Democratic Front for the Liberation of Palestine and a longtime critic of Mr Arafat, said the PLO chairman had agreed to the proposal after being promised \$700m in aid from the US, Japan and European countries.

Whether true or not, Mr Arafat's enthusiasm for the Gaza-Jericho option has drawn the lines of debate. The proposal is supported by some peace negotiators from the territories anxious for a deal which will address, sooner rather than

later, worsening conditions for Palestinians living under occupation. But it is firmly opposed by many PLO stalwarts.

PLO officials said the resignation last week of Mr Mahmoud Darwish was partly an act of protest against Mr Arafat's willingness to make concessions which would leave parts of the West Bank under Israeli control. And Mr Shafiq al-Bloq, who withdrew from the executive committee at the weekend, said Mr Arafat was going beyond policy "red lines" for peace talks with Israel laid down by the Palestinian parliament-in-exile in Algiers in 1991.

The pressures on Mr Arafat, one of the greatest survivors in Arab politics, are coming from all sides. This time many Palestinians believe "the old man" will have to give up some of his coveted powers and allow a more democratic leadership capable of bridging the disparate PLO factions towards acceptance of the hard realities of making peace with Israel.

Keating agrees to talks over tax increases

By Alexander Nicoll, Asia Editor

THE Australian government, facing fierce opposition to tax increases announced last week, yesterday agreed to hold negotiations with smaller political parties which have threatened to block the budget in the Senate, the upper house of parliament.

The retreat by Mr Paul Keating, prime minister, increased the likelihood of a compromise which would prevent his Labor government from resorting to extreme steps to push through the budget.

The row has opened talk of a possible dissolution of both houses of parliament and fresh elections only five months after Mr Keating's Labor government was elected - though the smaller parties in the Senate are thought to have little to gain by forcing elections.

Mr Keating yesterday met Ms Cheryl Kernot, leader of the Australian Democrats, who said afterwards that the talks had been constructive. "I think they know that they have to talk," she said.

The government would have little difficulty securing the budget's passage through the lower house. But in the Senate, 10 senators - Australian Democrats, Greens and an independent - hold the balance of power. The Democrat and Green parties threatened to side with the opposition on the budget.

Mr John Dawkins, federal treasurer, said the government did not object to hearing the Democrats' views, but that "it must be understood that there can be no significant change of the government's overall deficit reduction strategy."

He had announced increases in wholesale taxes and on petrol, alcohol and tobacco in order to battle a widening budget deficit, he estimated at \$15.8bn (\$7bn) for the financial year which began on July 1.

According to one opinion poll, the budget caused the government's popularity to drop to its lowest level in Labor's 10 years in power.

Mr Bernard Fraser, Reserve Bank governor, warned that the threats to block the budget might force a rise in interest rates - a step the government has wanted to avoid as it seeks to steer the economy out of a long recession with 10.7 per cent unemployment.

The senators' opposition to the new taxes has raised constitutional issues about the role the Senate, which normally passes budgets without question on the principle that the executive should be allowed to govern.

Mr Dawkins said earlier in the week: "I think it would be a very sad day for Australia if we got into the sort of situation that they are in the US where the executive government is unable to secure the passage of its legislation through the parliament."

China acts to curb corruption

By Tony Walker in Beijing

THE Chinese Communist Party's top disciplinary commission yesterday formally banned party officials from trading on the stock market and holding private business interests.

In a nationwide drive to achieve "clean government", the commission unveiled a new code of conduct imposing severe limitations on tens of thousands of officials.

Warning that corruption was "still growing and spreading", the commission said, "the negative and corruptive manifesta-

tions, if not overcome resolutely, will ruin the party, the people's political power, and the great cause of socialist modernisation."

The new rules are set to strike at the heart of the patronage system so precious to Chinese officials, and for that reason are certain to prove extremely difficult to enforce. The new code of conduct bars officials from:

- Engaging in business on their own account or using their influence to assist relatives and friends profit from their activities.
- Trading in securities.

● Accepting gifts of money or negotiable securities, or credit cards.

● Using public funds to acquire membership of clubs or to participate in any high-cost recreational activity.

The measures reflect intense concern at senior levels of the Communist party over the continuing erosion of the party's reputation and authority caused by corruption fuelled by China's economic boom.

It also coincides with deepening worries in Beijing over a weakening of the central authorities' control over the regions.

Officials face enormous obstacles in their corruption drive, however, since the problem reaches high into the ruling party itself. Top officials and their relatives are among those most deeply engaged in private business.

The anti-corruption campaign was issued at the end of a six-day conference attended by more than 100 senior officials, and addressed by Mr Jiang Zemin, the Party boss.

"Corruption is a virus that has infected the healthy bodies of our Party and State," Mr Jiang told delegates at the weekend.

OBITUARY: LORD KADOORIE

Visionary HK businessman

LORD Kadoorie, one of Hong Kong's greatest businessmen and its first British peer, died yesterday, aged 94. He leaves behind a family empire worth close to US\$4bn (\$2.6bn), including controlling interests in Hong Kong's largest power company and one of Asia's leading hotel groups.

Lord Kadoorie was one of the colony's few tycoons to build up equally strong links with Britain and China. In 1981 he was awarded the title of Baron Kadoorie of Kowloon in Hong Kong and the City of Westminster, shortly after awarding Britain its largest ever export order - for China Light and Power's Castle Peak power station.

Four years later he finalised China's first nuclear power project, in Daya Bay, near Hong Kong. The deal was signed by Chinese premier Li Peng and it earned Lord Kadoorie a dinner engagement with Chinese patriarch Deng Xiaoping, which was to have taken place at the opening of Daya Bay, later this year.

He argued that Hong Kong should be a neutral point of contact between China and the west and pursued this goal



Lord Kadoorie - "unshakeable faith in Hong Kong's future"

both as businessman and conservative politician.

Hong Kong's acting governor, Sir David Ford, described Lord Kadoorie as "a businessman of extraordinary vision" and a man with "unshakeable faith in Hong Kong's future".

Lord Kadoorie was chairman of China Light and Power from 1935 through to 1992. His father, Sir Eleazar Kadoorie, had emigrated to the colony from Baghdad in 1880, and

expanded from stockbroking into electricity. His son rebuilt the business after the Japanese occupation left little more than the Peninsula Hotel. The family now controls 35 per cent of the HK\$68.4bn (\$5.5bn) capitalised China Light and Power, 61 per cent of Hong Kong & Shanghai Hotels and interests in companies ranging from textiles to banking.

Simon Davies

France to bring peace forces home

FRANCE will withdraw its peacekeeping troops from Somalia by the end of the year and from Cambodia by the end of next January, Mr François Léotard, the French defence minister, said yesterday, writes John Ridding from Paris.

Speaking in an interview with Radio France Internationale, Mr Léotard said the withdrawal of troops from the two countries had been scheduled and was in line with the United Nations' timetable for ending operations there.

According to Mr Léotard, France would maintain its troop presence in the former Yugoslavia. But he said that he wanted to see stronger UN command in the field to increase the safety of the 6,000 troops stationed there. He said that French troops would continue to be available for other UN missions.

France has about 1,400 troops in Cambodia. It has been active in seeking a solution to the civil war there, co-chairing the Paris conference in which the four conflicting factions signed a peace accord.

Keidanren chief to head structural reform panel

By Gordon Cramb in Tokyo

MR MORIHIRO Hosokawa, Japan's new prime minister, yesterday appointed Mr Galshi Hiraiwa, chairman of the Keidanren, the country's leading business grouping, to head a panel which will seek ways to restructure the economy.

An emergency meeting of economic ministers last Thursday decided to set up the advisory committee, which is to report by the end of the year. It is

charged with identifying structural reforms to deal with the yen's recent surge which is hurting exporters.

The appointment of Mr Hiraiwa helps cement relations between the seven-party ruling coalition and the influential Keidanren, which was a traditional ally of the Liberal Democratic party, ousted this month following a general election.

The Keidanren has long sought moves to deregulate the economy, which Mr Hosokawa said last week

would be a main thrust of an autumn policy initiative.

Official data indicate that the domestic economy remains depressed. Figures for July department store sales yesterday showed a 6.2 per cent fall from the same month of 1992. Their 17th successive monthly decline.

Banks cut their prime rates by 0.2 points to 4.8 per cent in response to a recent easing of money market rates, but Mr Hosokawa told MPs a further cut in the official discount rate from

the current 2.5 per cent was difficult.

He was responding to questioning by Mr Yoshio Kono, new LDP leader. Mr Kono also extracted a pledge from Mr Hosokawa that the premier's recent acknowledgement of Japan's wartime aggression did not imply that Asian countries were entitled to compensation. The opposition leader also attacked his vagueness on political reform, the government's main aim. The coalition has not yet been able to settle on which electoral mechanism

should replace the current scandal-tainted system.

Difficulties within the coalition were underlined yesterday when it emerged it also could not agree on a gubernatorial candidate for Ibaraki prefecture north-east of Tokyo. Mr Hosokawa's Japan New Party and the allied Japan Renewal party will side with the LDP against a candidate backed by the Social Democratic party, the largest and most left-wing member of the coalition.

Japan's industry feels the pain of a strong yen

'The most difficult problem is people.' Gordon Cramb and Michio Nakamoto report

SOME 175 skilled Japanese workers will from next month make an unfamiliar journey. Toyota Motor, Japan's industrial flagship, is for the first time sending employees to an affiliate because it has no work for them at its own plants.

Toyota, usually the country's top income earner, is suffering the twin impact of dull domestic demand and a currency crunch - the group warned yesterday (it faced an operating loss if the yen stays strong). The 175 have not lost their jobs, as might happen at Toyota's western rivals, but the security of working for Japan's most admired automotive group has been rattled.

Japan has seen a number of previous assumptions upset this summer. The latest rise in the yen has left the currency

up by nearly a sixth against the dollar since January, throwing exporters' earnings forecasts out of kilter. A domestic economic upturn glimpsed in the spring has failed to materialise.

Company executives' decisions are further clouded by official uncertainty. The new government averred when it took office two and a half weeks ago that it would maintain the basic economic stance of promoting non-inflationary growth pursued by its Liberal Democratic party predecessor. But ministers in a seven-party coalition are in apparently increasing discord on how to proceed.

An autumn public spending package remains uncertain, the cabinet is divided over whether any income tax cuts should be offset by a VAT increase or by government bor-

rowing, and some analysts are playing down previous expectations that the official discount rate will be cut next month from its already historic low of 2.5 per cent.

Business leaders are urging the government to act. Mr Kosaku Inaba, new chairman of the 1.5m-member Japan Chamber of Commerce and Industry, said on Tuesday income taxes and the discount rate should both be cut, even if this meant creating a deficit which had to be funded through a government bond issue.

The Bank of Japan, the country's central bank, in its monthly economic review maintained this week that the economic slowdown appeared to be coming to an end but acknowledged that clear indications of recovery

remained absent. Fixed investment by manufacturers continued to decline, it noted.

The automotive sector, export-reliant and with sales at home also down some 10 per cent this year, is having to revise earlier, already modest, expenditure plans. Nissan, the second-largest automotive group, is cutting capital spending by another ¥20bn (\$130m) this year on top of an original ¥30bn reduction. Mazda said this week it was seeking further economies than envisaged in an adjustment plan unveiled only in June. Mr Taisuro Toyota, president of Toyota, said yesterday there was a limit to the measures one company could implement in a short time.

Such new investment commitments as are being made in Japan are mostly for high value-added products: NEC, the

electronics group, is spending ¥30bn to make liquid crystal display colour screens in western Japan, the market for which is growing by 40 per cent a year.

Manufacturers in sectors such as consumer electronics say that when they are shifting output of more standard lines abroad, the question remains of what to do with the workers left at home. In a culture which inhibits redundancies "the most difficult problem is people," says Mr Yasuaki Takano, president of Sanyo Electric.

Many company executives say they have already done what they can to counter the adverse effects of the high yen, and suggest that it is now the government's turn. "We would like to see the

Japanese government step up efforts for a stimulus to the economy. We are disappointed they have been so slow," says Mr Takeshi Kondo, head of political and economic research at Itochu, a leading trading house.

Mr Ichizo Ishitruho, president of Clarion, the car audio manufacturer, adds: "Last autumn we took great pains to draw up a restructuring plan and we did everything we needed to do in the latest half-year."

The workers that Toyota is transferring will now help produce a popular line of recreational vehicles for Toyota's smaller Auto Body associate. With no sight yet of a government programme to jump-start the economy they, like the rest of Japanese industry, are left wondering what happens down the road.

GREEK EXPORTS S.A. INVITATION

for expressions of interest in purchasing the assets of the COMMUNAL COOPERATIVE SOCIETY ANONYME FOR THE EXPLOITATION OF LIGNITE DEPOSITS IN THE AREA OF KYMI (KOLSE.L.L.K.S.A.)

In line with the application of the Government's policy of denationalisation and by virtue of Law 2000/91, GREEK EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETBA S.A.) and established in Athens at 17 Panepistimiou Street, has been appointed as Liquidator by Decision No. 5749/9.8.93 of the Athens Court of Appeal and intends to sell, by the procedure of article 14 of Law 2000/91, the total assets of the COMMUNAL COOPERATIVE SOCIETY ANONYME FOR THE EXPLOITATION OF LIGNITE DEPOSITS IN THE AREA OF KYMI (KOLSE.L.L.K.S.A.), established in Kymi, Euboea, and of which ETBA S.A. is a 24% shareholder. 64.771% is owned by the Municipality of Kymi and by 19 Communities in the area and the remaining 15.229% is owned by the Cooperative of Company Workers.

KOLSE.L.L.K.S.A. was established in 1985 (Govt. Gazette No. 3232/30/9/1985) with head office in the Municipality of Kymi with the object of exploiting the lignite-bearing Harocopes area of Kymi. In this area, the company owns land about 28,780 sq. metres in area. On this land there are buildings 350 sq. metres in area used for various auxiliary purposes. The company also owns the necessary mechanical equipment. During the years of its operation, KOLSE.L.L.K.S.A. was a supplier of the Public Power Corporation and LARCO.

FINANCIAL DATA (in 000 Drs.)

	1990	1991	1992
Total assets	467,136	493,604	420,571
Total sales	136,325	122,273	300,808

Note: The above data were taken from published balance sheets.

DENATIONALISATION PROCEDURE

- Within twenty (20) calendar days from publication of the present invitation, interested buyers should submit a non-binding written expression of interest.
- Prospective buyers, having undertaken in writing to maintain confidentiality, may receive the offering memorandum and be given access to other information regarding the company for sale.
- The announcement of a public auction for the highest bid will be published within the prescribed time limits and in the same newspapers.
- For any additional information please call the following telephone numbers: +30-1-92.94.395, +30-1-92.94.396 and +30-1-32.43.111 to 32.43.115.

GREEK EXPORTS S.A.

Saudis review petrochemicals after plant rift

By Deborah Hargreaves
and Roger Matthews

SAUDI ARABIA'S cancellation of an \$800m (£534m) project to build a plant at Yanbu on the Red Sea coast, for the production of petrol additives, has set off a review of the kingdom's entire strategy in petrochemicals.

This could lead to more involvement by Saudi Aramco, the state oil company, in the sector, but is also likely to delay private sector interest in petrochemicals projects for the duration of the review.

The planned joint venture at Yanbu was to build a plant for producing methyl tertiary butyl ether - an environmentally friendly alternative to lead in petrol.

The venture, known as Arabian American Chemical Company, was jointly owned by Mobil, the US oil company, and Arabian Chemical Investments Corporation - a private Saudi company headed by Mr. Nayef Nazari, son of the Saudi oil minister.

When the project was cancelled on August 9, a Saudi official said this was because

of the need to formulate a clear policy for investment by the state and private sector in the petrochemical industries.

Mobil expressed its disappointment at the cancellation. The company had been working on plans for the plant, which would have had an 800,000-tonne annual output, for several years.

The episode marks a rare public rift between a foreign oil company and the Saudi authorities.

Mobil had made many commitments to the project; the company had begun to line up

markets for the products and to charter tankers for shipment.

The questions over the project were seen in the industry as having arisen from a possible conflict of interest concerning the Saudi oil minister's son being at the head of the private company working with Mobil.

However, Saudi officials say the cancellation comes from the need for a fundamental review of the kingdom's downstream activities in oil.

This follows the merger of Samerec, the kingdom's refin-

ing and marketing arm, with Saudi Aramco, the state-owned oil company, this year.

Saudi Arabia's petrochemicals industry is run by Saudi Basic Industries Corporation, Sabic, which is mostly state-owned but has some private shareholdings.

King Fahd, the Saudi ruler, is understood to be looking at rationalising the downstream oil and chemicals industries with a view to making them more efficient and to cut costs. Low oil prices over recent years have left the kingdom strapped for cash.

"They are not flush with cash the way they used to be and all projects will have to be reviewed carefully," said one industry analyst.

Saudi Aramco - the kingdom's main oil producer - provides the crude oil feedstock for running refineries and chemicals plants, often at a fairly large discount.

Many in the industry have argued for a higher role for the company in decisions about downstream investment, although it has no experience of petrochemicals.

As part of its review, the

government could decide to stipulate that either Aramco or Sabic be a partner in any joint venture project.

At the very least it is likely to require some increased input from Aramco on future projects - this could involve setting up a panel for approving new ventures.

Aramco has already set up a new business unit to deal with refinery operations after the merger with Samerec in June. It could be expanding its operations to cover petrochemicals in coming months.

Taiwan link for Hicks, Muse

By Daniel Green
in Taipei

HICKS, MUSE, a Dallas-based private investment company, yesterday became the latest foreign concern to sign a strategic alliance with Taiwan's ministry of economic affairs.

Other companies which have done so include: AT&T, the US telecommunications giant; Motorola, the communications and electronics company; General Motors, the vehicle maker; and GE, which makes aero-engines.

These alliances are intended to bring together foreign companies seeking to cut costs and Taiwanese manufacturers eager to acquire new skills.

At least five more companies, both US and European, are preparing to sign similar deals with the ministry, according to Mr Paul Hsu, a lawyer involved in the alliances.

Taiwanese companies "are good at making components but bad at integrating them [into products]", he said. However, Taiwan offers high productivity and rapidly growing local markets.

Balladur will seek Kohl help for way out on Gatt

MR EDOUARD Balladur, the French prime minister, is an amenable sort of man who prefers conciliation to confrontation, but there is one issue on the agenda at his meeting in Bonn today with Mr Helmut Kohl, the German chancellor, which is in danger of being confrontational.

France, like all the other participants, is anxious to conclude the Uruguay Round of trade liberalisation talks under the General Agreement on Tariffs and Trade before the December 15 deadline. But Mr Balladur is under pressure from France's militant farmers to reject the proposals in the hope of negotiating a more favourable agreement.

If he did so, Mr Balladur would risk condemning France to international isolation. He has to persuade his allies to give him some sort of compromise so that he can placate the

France's prime minister is under pressure from his farmers and allies alike over proposals for liberalisation in agricultural trade, writes Alice Rawsthorn

gross domestic product. In theory Mr Balladur ought to be able to placate the French by arguing that any threat to farming in the Gatt reforms will be easily outweighed by the benefits to services, such as telecommunications and banking, which are a far larger part of the economy.

France has already started to try to shift the emphasis of the Gatt debate by airing its grievances on services issues. It has lobbied for the US to accept further liberalisation in telecommunications and for the introduction of unilateral measures against unfair trade practices along the lines of "Section 301" in US trade legislation.

But the farmers are unlikely

sign minister, recently attacked France for its "protectionist" approach. However, after a meeting in Dresden on Tuesday with Mr Alain Juppé, his French counterpart, he said he was sure the "few, small problems" could be resolved. The French hope that the forum for resolving those problems will be the special meeting of EC foreign and farm ministers due to be held in Brussels on September 20.

France called the meeting last month in the hope that it can persuade its EC partners to reopen the Blair House accord on agriculture struck last year between the EC and the US.

Mr Balladur plans today to table his proposals for a compromise deal on agriculture to Mr Kohl, in the hope of winning Germany's support before the Brussels meeting. French officials are not talking about the details although it is

known that France is particularly concerned about the impact of the Blair House accord on the EC share of world cereal exports and on imports of meat and cereal into the EC.

Most observers are cautiously confident that, somehow Mr Balladur will avoid vetoing the deal. "There's no way that France wants to risk isolation," said one. "In any case the French have always

been great last-minute merchants. They sit and sit until they have pushed the other side as far as it will go - then they back down."

Quentin Peel adds from Bonn: There is sympathy in Bonn towards Mr Balladur's difficulties with the farm trade chapter in the Gatt negotiations, but few concrete suggestions on how he might be helped.

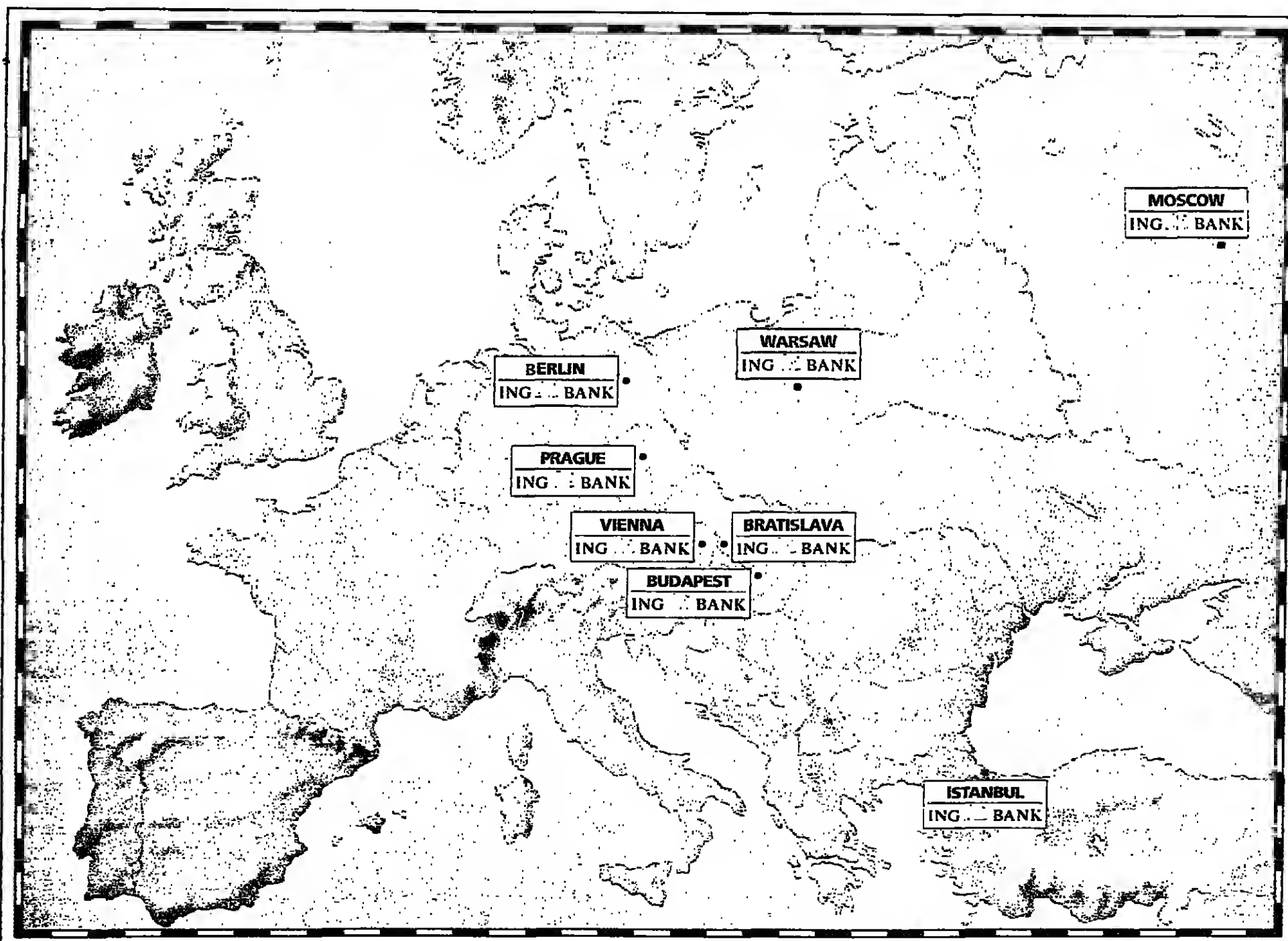
"We would certainly try to

help the French save face," one senior official said yesterday. "But we really do not see how we can re-open the whole negotiations with the US."

Although Mr Kohl has always been the EC leader most prepared to help France defend its agricultural interests - not least because of his own strong farming lobby - his patience has clearly worn thin.

One reason is that the Blair House agreement was partly drafted by his own agricultural adviser, Mr Franz-Josef Feiler, precisely in order to help the French. Yet even that gesture was not enough for Paris. See Editorial Comment

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Balladur does not want to be the object of French farmers' talent for demonstrations, such as this one in June at EuroDisneyland

farmers and sign the Gatt deal. The talks today with Mr Kohl will, or so he hopes, be the first step towards such a solution. The French farmers are opposed to cuts in the EC export subsidy system which, they claim, has helped France to become the EC's largest agricultural exporter with almost a quarter of total EC production.

They are a powerful political lobby in France, particularly on the right. Mr Balladur's side of the spectrum. They have already secured the support of the more outspoken members of the Balladur government, notably Mr Philippe Seguin, leader of the National Assembly.

However the importance of agriculture to the French economy is fast diminishing. It now accounts for just 2.4 per cent of

to let Mr Balladur off the hook. One of their most effective weapons is a talent for dramatic demonstrations, such as their tractor blockade of the EuroDisneyland theme park. The last thing Mr Balladur needs is a fresh onslaught from the farmers at a time when his government is already under fire for the sluggish state of the economy and its failure to halt the rise in unemployment.

For France's allies, the conclusion of the Uruguay Round is of critical importance. A Gatt deal promises not only to end years of uncertainty on the world trade scene but to yield significant benefits for all the signatories, including France.

The other signatories, not least the Germans, have made clear that they will be furious if France blocks the deal. Mr Klaus Kinkel, the German for-

Italian company wins contract

Esso Singapore to upgrade refining

By Kieran Cooke in Kuala Lumpur

ESSO SINGAPORE, part of Exxon Corporation, has announced that it will invest \$630m (£157m) to upgrade its oil refining operations in Singapore.

Foster Wheeler Italiana, based in Milan, has been awarded the contract to build a 15,000 barrel per day hydroprocessing unit at Esso's 230,000 bpd Pulau Ayer Chawan refinery. The new unit will upgrade lower value, high sulphur vacuum gas oil to produce low sulphur diesel oil, naphtha and low sulphur vacuum gas oil.

Esso said that demand in the Asia Pacific region for high grade products was outstripping supply. "Strong economic growth in the Asia-Pacific has boosted demand for higher grade, cleaner refined products," said Esso.

Singapore, with a refining capacity of slightly over 1m b/d, is now the world's third biggest refining centre, after Rotterdam and Houston. Singapore's refineries supply about 40 per cent of Asia's imports of refined products.

Several companies have recently announced multi-million dollar projects to upgrade existing refineries or build new petrochemical plants in Singapore. In February, British Petroleum, Caltex and the local Singapore Petroleum company announced a \$500m (£370m) refinery project in Singapore.

Tories told tax increases needed to offset state debt

By Kevin Brown,
Political Correspondent

RIGHTWING members of Britain's ruling Conservative party yesterday came under growing pressure to admit that tax increases could be needed to offset the country's £50bn borrowing requirement.

Mr John Biffen, a former chief secretary to the Treasury, urged Tory MPs to abandon moves aimed at forcing the

government to rule out higher direct and indirect taxes, which he said were necessary to offset the increasing state debt.

He advised ministers to ease the pain of tax increases by raising the higher rate of income tax as well as indirect taxes, which bear more heavily on middle and lower incomes.

Mr Biffen's comments will encourage Mr Michael Portillo, the present chief secretary to

the Treasury, who has warned in recent interviews that public spending restraint may not be sufficient to reduce the deficit.

Mr Portillo will also be heartened by the re-emergence yesterday of deep divisions on economic policy in the opposition Labour party.

The opposition's hopes of forging a united front on economic policy were shattered yesterday by an attack on Mr Gordon Brown, the party's

chief finance spokesman, by Mr David Blunkett, Labour health spokesman. Mr Blunkett, a leading supporter of "radical" socialist policies, accused Mr Brown of allowing Labour's economic policy to be shaped by a decade of Conservative government.

The attack was prompted by the launch last week by Mr Brown of Labour's revised economic policy.

In it Mr Brown abandoned the party's "tax and spend"

manifesto commitments from the 1992 general election and promised to cut taxes if possible.

Mr Biffen, meanwhile, suggested that the taxation issue could develop into a test of support for Mr John Major, the prime minister, as well as Mr Kenneth Clarke, the chancellor, and Mr Michael Portillo. Mr Biffen warned that the Treasury faced a bruising political battle with other rightwin-

gers, who would be "deeply offended at the prospect of an increase in income tax".

He said the government would need "quality" leadership to survive. Asked whether such leadership existed, he said: "That is what the next 18 months will reveal."

Rightwing Tories, however, kept up pressure on Treasury ministers to consider deeper cuts in public spending. Mrs Teresa Gorman urged the government to "stick to priorities"

and slash spending. "If Michael Portillo goes on with these policies he will be writing a suicide note for the Conservative party," she said. "The people will not forgive us for going back on our promise at the election that we would not raise taxes."

Labour, which has remained aloof from the Conservative debate, accused Mr Portillo of a short-term manoeuvre intended to pay for tax cuts before the next election.

Demand for new cars rises by 12%

By Kevin Dine,
Motor Industry Correspondent

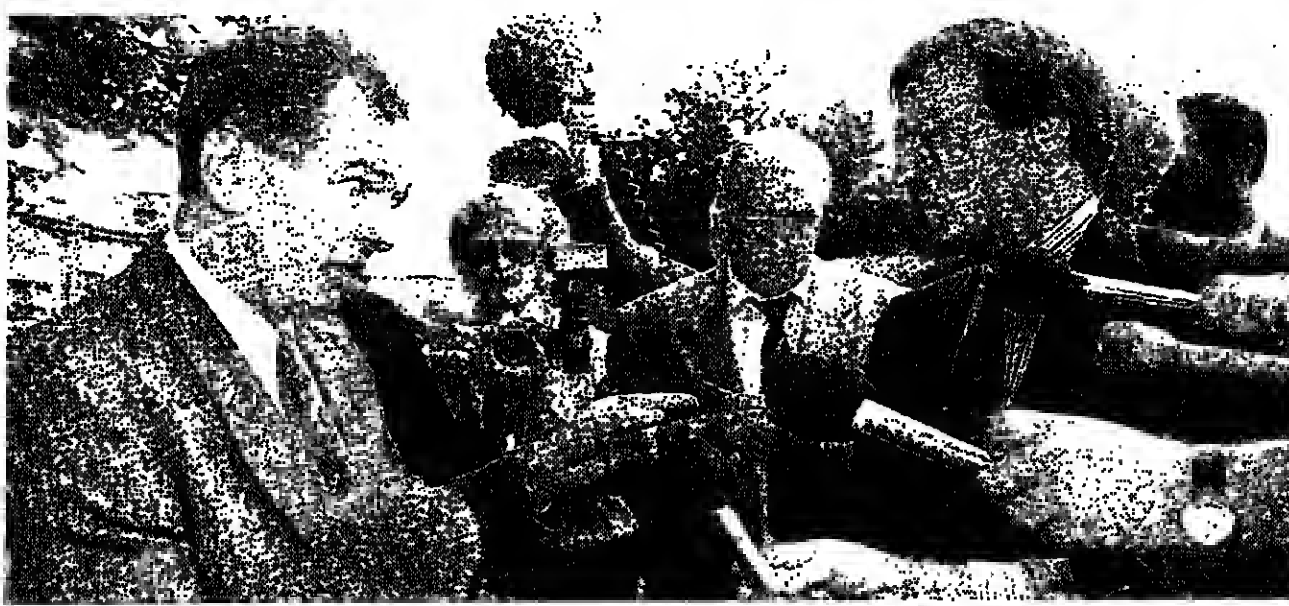
REGISTRATIONS of new cars in the UK in the first 20 days of this month jumped by 12.1 per cent to 325,792 compared with 290,551 in the corresponding period last year.

August, the month in which a new year-letter is added to UK registration plates, is one of the most hectic periods for car sales. The year-letter change was shifted from January to August more than 15 years ago to stimulate slack summer sales. August sales are now a test of the state of demand for new cars and have accounted for 29 per cent of total annual sales of new cars in each of the past two years.

The 20-day figures released to carmakers yesterday confirm that the recovery in sales shown in the first 10 days of the month has been sustained. They have led some manufacturers to revise upwards their forecasts for the full month.

Ford, the leader of the UK new-car market, said yesterday that it had raised its forecast for the whole of August from between 400,000 and 405,000 to 415,000, indicating a jump of about 11 per cent from sales of 374,000 in August last year.

The UK is virtually the only car market in west Europe, where sales are currently growing, albeit from a very depressed level after three years of recession.



Mick Stevens (left) of the Union of Democratic Mineworkers confronting energy minister Tim Eggar at Bilthorpe pit in the Midlands yesterday about last week's accident in which three miners died. Mr Eggar said the accident had been a "ghastly tragedy" and that any lessons on safety learned from it would be applied to every colliery in Britain

Poll finds caution on Major's charter

By David Owen

THE CITIZEN'S CHARTER appears to be doing little to raise the standard of services more than two years after it was launched by prime minister Mr John Major. Its aim was to improve standards and compensate the public for lapses.

The results of an independent survey into what people think about the charter shows that the performance of two thirds of leading public services - both in the public and private sector - is considered to have deteriorated over the past year. The survey of more than 3,000 adults was conducted by ICM research in the

spring. Seventy per cent had heard of the charter, suggesting that the intensive promotional campaign which has accompanied Mr Major's Big Idea has been successful.

There was also support for a range of charter-related policies, with large majorities in favour of the publication of league tables by public service providers and the linking of public sector pay to performance.

Since its launch in July 1991, the government's charter unit has spent £3.7m, with yesterday's research costing £75,000.

Only eight of the 31 services included in the survey were thought to be doing a better job than a year before, with

some of the strongest performers - notably supermarkets - not covered by the charter. Family doctors and their practices are thought to be performing markedly better than last year. Local rubbish collection has also improved significantly in what may be claimed as a sign that the policy of allowing the private sector to compete for this business is paying dividends.

There are contrasting messages for financial institutions, with the building societies (savings and loans institutions) thought to be doing a better job than a year ago, while the banks were perceived to be doing much worse.

Alongside banks at the foot of the table were local roads and British Rail, the national rail network, while the performance of the law courts was also thought to have deteriorated markedly. With motorways, buses and London Underground also registering negative ratings, people appeared doubtful about whether the government's drive to improve Britain's transport network is working.

National Health Service hospitals comprise the service people most want to see improved, although more than three quarters of users think they are doing a very or fairly good job.

Inmates 'lie abed' in comfort of first private jail

By Rachel Johnson

INMATES at Britain's first privatised prison, run by the Group 4 security company, potter about for most of the day, play ping-pong and take large quantities of hard drugs, the chief inspector of prisons reported today.

Judge Stephen Tummil praised the staff of Wolds Remand Prison in northern England - the only prison operating exclusively as a remand centre for adult males in England and Wales - for a high-calibre service to prisoners that costs the taxpayer £5m a year.

But the judge attacked the "lethargy" among the prison's 320 inmates. He blamed it on the fact that the 171 prison staff - who address the inmates as Mr - could "not make the unconvicted work".

Judge Tummil's criticism followed the controversy over the recent leaked memo which suggested that Mr Michael Howard, home secretary, thought prisons were not "austere" enough.

The report contrasts the lethargy of life in the Wolds with the "hellfire" of its facilities. Cells - to which inmates had keys - were light and spacious, meals were wholesome and ample; and visits were allowed 365 days a year.

"At the Wolds inmates lie abed more or less as long as they wish," Judge Tummil

observed. "There is little work and much pottering about."

The only way to prevent the lethargy becoming "corrupting" was to include sentenced prisoners at the Wolds, according to one of his 102 recommendations. Staff at mixed prisons were better able to encourage involvement in activities.

Mr Derek Lewis, the prison service's director-general, said he would implement this recommendation. But he denied that the absence of systems for checking the financial aspects of the contract between Group 4 and the Home Office was a "serious weakness". Mr Lewis said that two full-time staff were at the Wolds to ensure taxpayers' money was well spent.

But Mr Stephen Shaw, the director of the Prison Reform Trust, agreed with Judge Tummil that the lack of financial monitoring of the remand prison was "alarming", given the government's determination to press ahead with its privatisation programme.

Mr Tony Blair, the opposition Labour party's home affairs spokesman, said the government should call a halt to privatisation. He said the Tummil report was a damning exposure.

Mr Jim Harrower, the managing director of Group 4's UK operations, said he was aware that required attention - such as the drugs problem - were being addressed.

Gene therapy trials start today on cystic fibrosis

By Clive Cookson,
Science Editor

THE FIRST trial in Britain of gene therapy for cystic fibrosis (CF), the country's most common serious genetic disease, will start today at the Royal Brompton Hospital in London.

In the four years since the genetic defect responsible for CF was discovered, scientists have devised two techniques for delivering functioning copies of the gene to patients' lungs. Lung damage is the main cause of death from CF.

A US group started clinical tests four months ago, using a modified virus to insert the gene into lung cells. But that trial has been suspended because the virus seems to inflame the patients' lungs.

The UK scientists say their technique is "milder" than the viral approach and less likely to cause complications. It has been used successfully to correct CF symptoms in laboratory mice.

The new gene is packaged in liposomes, tiny fat globules, which fuse with the cell membrane; the gene works inside the cells to produce the protein whose absence destroys the lungs of CF patients.

The trial has been approved by the government's gene therapy committee, chaired by Sir Cecil Clothier, and the hospi-

tal's own ethics committee. Dr Duncan Geddes, clinical director of respiratory medicine, said: "This raises absolutely no ethical issues. We're using a gene to treat a disease and not to modify future generations."

The scientists expect to have preliminary results from the trial within four months. If these are encouraging, more patients will join in next year, but gene therapy is unlikely to become a standard treatment for the 7,000 young people with CF in Britain for at least five years. The therapy used in the

further 139 - the third wave - are due to become trusts in April.

Mrs Bottomley said there was a 7 per cent increase in activity in trust hospitals last year, compared with a 4 per cent increase in directly managed units.

The opposition Labour party reiterated its pledge to "stop the commercialisation of the health service, and the self-governing nature of the trust hospitals and community facilities".

Only 44 units have so far not opted out or applied for trust status. Dr Brian Mawhinney, a junior health minister, yesterday wrote to the managers of the 44 inviting them to apply for trust status by September 24.

Brompton trial was developed by a group led by Professor Bob Williamson at St Mary's Hospital, Medical School in London with Dr David Porteous and colleagues at the Medical Research Council Human Genetics Unit in Edinburgh.

Nine young men are taking part in the first phase of the Brompton trial.

One of them, 23-year-old Mr Darren Keen from Hemel Hempstead, said yesterday: "I'm very pleased to be able to help. I'm sure there are no risks involved."

Crown Agents to go commercial

THE TRANSFER from the public sector of the Crown Agents, an organisation which provides financial, professional and procurement services across the developing world, will for the first time give exporters and foreign aid agencies a direct role in its leadership.

The new shape of the organisation has become clear now that the British government has retreated after eight months of deliberation from its early preference for outright privatisation. It has chosen instead to make the Crown Agents an independent foundation limited by guarantee.

An official at the Overseas Development Administration, the government office which now has responsibility for the Crown Agents, said the body would be "entirely commercial in its approach and will be expected to make a return". Profits, however, would be ploughed back into the agency. It will answer to a board of directors who will be selected from a cross-section of its users - including overseas aid agencies and exporters.

"By not exposing it to the pressures of shareholder interests, it will be able to act more easily in its own interests, and in the interests of its clients in the developing world," the administration added. Privatisation will create a structure similar to that of the health insurance groups FFP and BUPA, the motor insurance organisations the AA and the RAC, and the British Standards Institute.

Overseas aid agencies - in particular Japan's national aid agency, which has in the recent past used the Crown Agents extensively to handle its procurement - lobbied the British government against outright privatisation, arguing that this would imperil the "honest broker" status of the Crown Agents.

For Mr Peter Berry, managing director of the Crown Agents, escape from bureaucratic government procedures will come as a relief. "When you need ministerial consent to do anything materially different from the act that governs us, then there is a stop in the mind against doing it," he said. "It will be very different going back to a board. There will be no disincentive to be proactive. Accountability will be closer to home."

It will also be easier to demonstrate to donors that it is independent of government pressure to "buy British". The agency, founded in the 1830s, now works in 130 countries. Last year it generated only 27 per cent of its £37m income from the UK.

Its leading clients are the World Bank, the European Community, the United Nations and Japan's national aid agency. It is at the heart of organising aid convoys to besieged towns across Bosnia.

It is training staff in seven Russian procurement agencies across the agriculture, energy, health and transport sectors as part of a \$600m World Bank initiative. It is co-ordinating a

David Dodwell predicts more leadership influence for overseas users of the agency

two year EC-funded programme to train 4,000 bankers at the new International Finance and Banking School in Moscow.

As well as aid convoys in Bosnia, its emergency logistics management teams have supplied medical supplies to Albania, procured and distributed emergency pharmaceuticals to Romania, and delivered baby foods to needy cities across European Russia and western Siberia.

This increasingly multinational spread of activities played a large part in the decision to have the agency off to the private sector.

But the pressure against privatisation was not unanimous. Mr Rajivram Srinivasan, head of the World Bank's procurement division in Washington, said some of the bank's staff would like to see both the Crown Agents and Germany's GZG, its main "competitor", transferred to the private sector so that independence would be transparent and competition boosted.

over their being privatised," he said. "I have been dealing with them for 20 years, and I know they are highly professional, and their integrity is beyond question." He hopes independence from government will lead to "a less bureaucratic and clerical way" of operating.

The agency has seen dramatic development of its role in the recent past, particularly in eastern Europe and the former Soviet Union. It is, for example, training staff in seven Russian procurement agencies across the agriculture, energy, health and transport sectors as part of a \$600m World Bank initiative.

As an independent foundation, the Crown Agents will no longer be limited to serving aid agencies and other public bodies, as its present constitution dictates.

"Newly established private corporations in the developing world, which used to be our clients when they were government-owned, are coming back to us and asking if we can continue to supply them," said Mr Berry. "Under our present constitution, we have to say no."

What will be most important for the restructured agency is its reputation for impartiality and most efficient way of supplying projects. As Mr Berry said: "If we couldn't hold our heads up and prove our independence, we would not be the large procurement agency we are today."

Britain in brief



BNF cleared to begin tests at waste plant

British Nuclear Fuels has been told by the government's Pollution Inspectorate that it can begin to test its controversial Thorp nuclear reprocessing plant with uranium.

Greenpeace, the pressure group, said it would now ask the courts for leave to apply for a judicial review on the grounds that testing prejudged a decision about whether to give the go-ahead to the plant in north-west England.

BNF has been waiting since the start of the year for a licence to start operations at the £2.8bn plant, which has taken nearly 10 years to build. It has argued that, by testing the plant now, it could save several months' preparation if Thorp is eventually given authorisation.

Fixed-rate loans gain popularity

The proportion of borrowers taking on fixed rate home loans in the first quarter of the year increased sharply as a result of problems faced in 1992 by homeowners with variable rate mortgages.

The Council of Mortgage Lenders said 46 per cent of first mortgages and 49 per cent of re-mortgages taken out in the first quarter were fixed compared with 27 per cent and 23 per cent respectively in the first quarter of 1992.

Fewer orders for contractors

Orders received by contractors for construction work in the second quarter of 1993 were 11 per cent lower than in the first quarter of 1993 but 11 per cent higher than in the second quarter of 1992, the Department of the Environment said.

Move to ease traffic jams

Plans to relieve severe congestion around Heathrow airport and the south-west section of the M25 London orbital motorway have been published in a consultation paper by the Department of Transport.

Scott Wilson Kirkpatrick, the engineering consultants, have recommended a road and rail project that could cost up to £550m and eventually lead to faster Underground and rail links to Heathrow from London's Waterloo station.

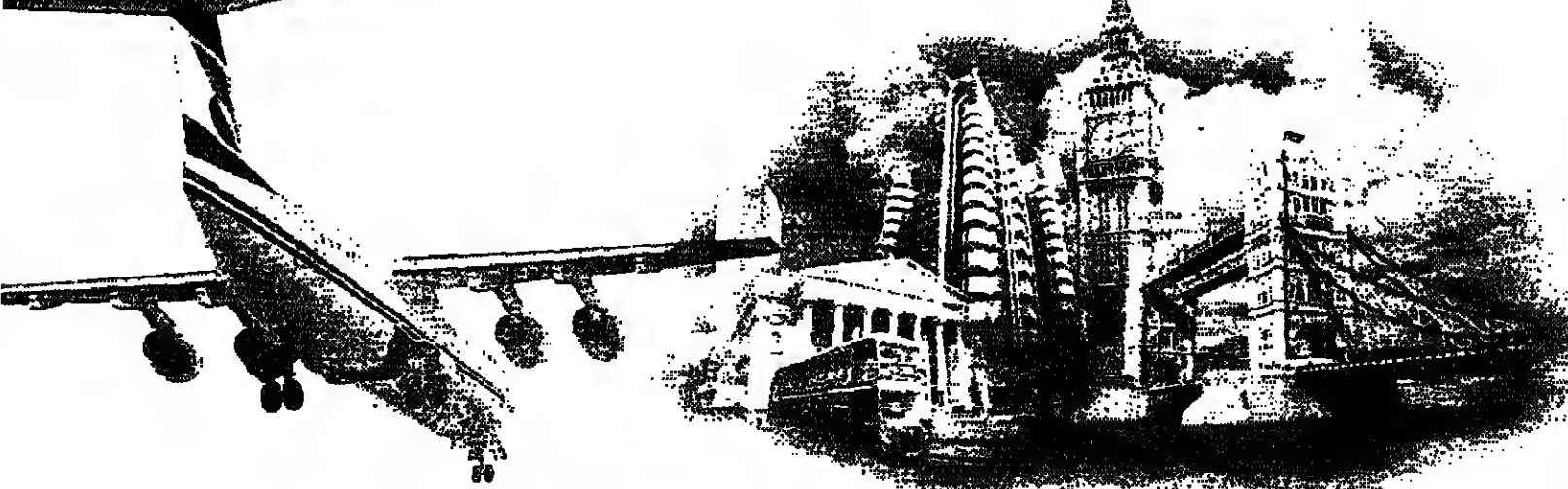
Expansion for brewer

Scottish and Newcastle, the regional brewer, announced a £25m expansion of its plant on Tyneside, north-east England. The plan for a five-acre site alongside S&N's existing Newcastle upon Tyne brewery will mean more advanced brewing plants and warehousing.

Soccer strip prices attacked

The Consumers' Association has criticised Britain's soccer clubs for charging high prices for new playing strips sold to youngsters and adult supporters. Check It Out! - the Consumers' Association magazine for younger readers - says all but three English Premier league teams charge more than £40 for a junior strip, an exorbitant price which it branded a commercial money-spinner for the most popular clubs.

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BUSINESS AIR

مكتبة الأهل

Investing in France

Agencies are preparing campaigns for the first wave of a privatisation drive, writes Alice Rawsthorn

It sounds like a marketing nightmare. Over the next few days André de Marco must finalise the preparations for one of the most important product launches in his company's history. Yet he still does not know exactly what he will be selling, or when it will go on sale.

The product is a block of shares in Rhône-Poulenc, the flagship French chemicals company, the French government hopes to sell this autumn in the first phase of its privatisation drive. Unfortunately for de Marco, Rhône-Poulenc's director of communications, the economy ministry will wait until the last moment to announce the size and date of the sale.

"With an ordinary marketing campaign you are able to choose the best possible time to make sure that conditions are right," he says. "But we have no control over the timing of our issue, or over whether the government will sell its full 43.4 per cent stake. All we can do is make sure that everything is ready to go anytime from early September."

Rhône-Poulenc is not alone. Banque Nationale de Paris (BNP), the other first-phase candidate, is also putting the finishing touches to its marketing campaign. Even companies earmarked for sale in the second phase, likely to be early next year, such as the Elf Aquitaine oil group, are now starting to plan the marketing of their issues.

These companies not only need to ensure that they attract enough interest to sell all the shares, but that the stock ends up in the right hands to create a stable base of shareholders. The marketing of the issues will play a critical part in this process through mainstream advertising to the public and through specialist communications to institutional investors in France and other countries.

The specialist programme is likely to be the most straightforward. Most of the privatisation candidates are large, international

"If we want to build a well-balanced shareholder base we have got to attract more individual investors"

groups which have a small percentage of their equity in public issue. They have already invested heavily to build up a core of institutional shareholders and to ensure they are well known in the international financial community.

"French companies have made

tremendous progress in communicating with international investors," says Joe Hall, head of international sales at Warburg Securities in London. "The first catalyst was the mid-1980s privatisation drive, but things have really improved over the last three or four years when foreign institutions have become major investors in France."

The most expensive, and challenging, aspect of privatisation marketing is advertising to the public. There is no real tradition of private share ownership in France and the 1987 stock market crash brought the mid-1980s vogue for equity investment to an abrupt halt. The economics ministry says it may consider a follow-up to this summer's successful Balladur bond advertising campaign to encourage investors to convert bonds into privatisation shares, but it has no plans to promote share ownership as such.

This means the privatisation candidates must not only sell themselves, but also try to popularise the concept of share ownership.

Elf has already started. It has expanded the corporate advertising campaign originally planned for

Pascal, aujourd'hui
chef d'une plate-forme pétrolière
chez Elf



Childhood snapshots of mythical Elf employees are part of its campaign. Today, Pascal is head of an Elf oil platform

this summer. The campaign, devised by the Euro-RSCG agency, features posters of childhood snapshots of mythical Elf employees. The company has added an extra picture of "Louis, an Elf share-

holder" to highlight the forthcoming share sale. Elf is preparing to choose an agency to handle the main privatisation campaign. However, its scale will be determined by how much of its 50.7 per cent stake

the government decides to sell. If the issue is small Elf may concentrate its efforts on the institutions as it did for the partial privatisation.

BNP caused a stir in the Paris advertising world last week by choosing BDDP, one of the most dynamic new French agencies to have emerged in the 1980s, rather than its long-standing agency, Euro-RSCG. The choice of BDDP, which worked for Michel Pébereau, the BNP chairman, on CCF's privatisation advertising, is expected to herald a new image for BNP, one of France's most traditional banks.

The group plans to reinforce its advertising efforts by an extensive direct mail campaign to its 60,000 employees and 4.7m account holders to familiarise them with Pébereau's new strategy and to encourage them to buy its shares.

Rhône-Poulenc last week helped to console Euro-RSCG for the loss of the BNP account by appointing the agency to handle its privatisation advertising. Like Elf, Rhône-Poulenc's efforts will depend on the ultimate size of the issue. One of its main aims is to attract more individual investors. It currently has 100,000 private shareholders who own less than 1 per cent of its total equity.

"If we want to build a well-balanced shareholder base we've got to attract more individual investors," says de Marco. "Privatisation provides an ideal opportunity. But it won't be easy. Most people in France know the name Rhône-Poulenc, but they're not really sure what we do."

Selling Atlanta to the world

Atlanta, the leading business city of the southern US, has become the first city to promote itself through a worldwide television marketing campaign.

The city is attempting to lure foreign investment through a series of TV advertisements to be shown on the cable TV service CNN International. The campaign has been prepared by BBDO, the US-based advertising agency, for the Atlanta Chamber of Commerce. Atlanta has long had a reputation for self-hype. In the 1920s it was the first city to advertise itself in print.

In its latest campaign Atlanta has targeted European and Asian business audiences with 30-second TV adverts. CNN, widely available to international hotels, started showing the adverts last month. They are screened in the early morning, as business travellers prepare for their day, and in the early evening, as they return to their hotels.

Atlanta's three-year campaign, costing at least \$1m, (\$876,000) aims to build on the publicity that will come when Atlanta hosts the 1996 summer Olympics.

"The Olympics give us a unique window of visibility," says Bill Crane, the chamber's marketing director.

The initial advert simply tries to establish an identity for the city, according to Ted Martin of BBDO. It tackles international unfamiliarity with Atlanta by showing it as home to companies such as Coca-Cola and Delta Airlines. As the Olympics approach, the adverts will increase in number and length, says Crane.

Atlanta is unlikely to be the last company to promote itself around the world on TV. The possibilities of this kind of marketing are just being discovered with the advent of worldwide television broadcasting networks such as CNN and BBC's World Service Television.

Barbara Harrison

Italy plays by new rules

A code of conduct to police the bidding procedures for state advertising contracts has received a mixed reception, reports Haig Simonian

Shaken by the involvement of some of their most prominent members in alleged kickbacks to politicians, in return for public-sector campaigns, Italy's leading advertising agencies have drawn up a new code of conduct to protect against future abuses.

But some advertising executives fear the new rules, which will create a supervisory body to police bidding procedures for the contracts, could stifle, rather than encourage, competition. And not all are convinced that self-regulation and more open bidding are enough to regulate Italy's advertising industry.

"The aim is to create a level playing field," says Alberto Contri, chairman of the association of leading agencies. Contri, elected chairman earlier this year, speaks with some authority. Mediaset Intercon-Fel Good, the agency he runs, specialises in publicity for the pharmaceutical and health sectors, where most of the alleged abuses occurred.

The new code of practice aims to remove any scope for corruption

by ensuring that all future state advertising campaigns be solicited exclusively through public tenders.

It has already attracted attention in other countries where uncompetitive business practices, such as "voluntary" contributions to a politician's electoral expenses, are believed to take place.

Foreign interest has been reinforced by the arrests of executives at Italian subsidiaries of at least two of the world's leading agencies. Even more embarrassing for the agencies is that the inquiries, which relate to alleged kickbacks to win business in the health ministry's big anti-Aids campaign, involve such a sensitive health issue.

The allegations emerged last month after Giovanni Marone,

secretary to a former health minister under investigation for alleged political corruption, began to reveal to magistrates how some ministerial advertising contracts were won.

According to Marone, whose testimony has been widely leaked, some agencies paid hundreds of millions of lire to Francesco De Lorenzo, Italy's former health minister. Disguised as "campaign contributions", the payments were actually kickbacks to win lucrative public sector advertising contracts.

De Lorenzo, who resigned earlier this year after being put under investigation for an alleged jobs-for-votes scam in his native Naples, is now being investigated for a much wider range of allegations of political corruption,

including kickbacks from some of Italy's leading drugs companies. Marone's revelations led to a string of arrests in the advertising industry.

Those involved included the former and current managing directors of the Italian subsidiary of Young and Rubicam: Claudio Maria Masi de Vargas Macchiucca, the managing director of Publicis FCB MAC Italy, the Italian joint venture of Foote, Cone & Belding and Publicis of France; two directors of Armando Testa, a Milan-based agency, and an employee of DAPS, a local media buyer.

Enforcement of the new code of practice is to be supervised by a special committee, comprising judges and senior advertising and

public relations executives. Agencies will be required to inform their trade association what tenders they intend to bid for, and the supervisory committee will examine all tenders to ensure they are suitably transparent.

Should an agency suspect a contract is being awarded unfairly, it must denounce the proposed campaign to the supervisory body. The same applies in cases where some of the terms, such as abnormally short preparation periods to submit proposals, suggest the bid might be rigged. The aim, according to Contri, is to ensure contracts are won on the basis of "real factors, such as professional competence, experience and the nature of the services offered".

But do the rules go far enough

to stamp out malpractice? Public tendering has been proposed as a panacea in other Italian industries, such as construction, where it is alleged that big kickbacks are regularly paid to politicians to win business.

"Public tenders may help to eradicate malpractice in industries, such as building, where the bidding criteria are relatively clear and contracts can be allocated on objective grounds, such as cost," says one prominent advertising executive. "But it's harder to apply the same standards to advertising."

Another observer warns that even public tenders can be rigged. "If enough people want to cheat the system, they can do it," he says.

The new rules should at least stamp out some of the most shocking excesses of the past, such as limited private tenders, with the winner decided in advance. They should also eliminate the so-called "public" bids, where odd rules, such as abnormally short preparation times, may have masked similar malpractices.

Whether they will be enough is still not certain.

There is a limited amount of exhibition space available at the conference

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NATURE OF BUSINESS

Central Scotland Police is the second smallest of Scotland's eight forces. With its headquarters in Stirling, it covers an area of approximately 1,000sq miles between the Forth and Clyde estuaries. It is divided into two territorial divisions and runs six local command units.

Employees: Around 800, including an establishment strength of 649 officers and 150 civilians.

Crime statistics: Reported crime within central region has shown a decrease to April 1993 of 1,974 crimes, 7.9 per cent down on the previous year, with a detection rate of 55.9 per cent.

Key Personnel: Chief Constable William Wilson, Inspector Peter Watson, Trace project leader.

Detective Constable Tom Newlands, Trace development and specification, based in Alloa.

TECHNOLOGY FILE

Software: The Trace system, Total Retrieval Administration Crimes and Events - is based on Memex software for text information retrieval called the Memex Information Engine. With development and implementation from Central Scotland Police, Memex has made this into a police product, Crime/Criminal Information Management System (CCIMS), already used by Fife Constabulary, under the name Focus. File Occurrence and Crime Information System. (Trace works on PCs and Unix workstations and "bolts on" as a front end to existing databases.)

Currently all connections to other databases such as PNC2 are ad hoc, but a permanent live link with the Crown Office and the Procurator Fiscal is planned in November.

Supplier: Memex, now based in East Kilbride, was founded by Edinburgh academics, Fred Heath and Graham Woyles, in 1979, and was bought by microfiche supplier Microfilm Reprographics Data Management in 1991. Memex had a turnover of £1.4m in 1992-93.

Hardware: A central Sun Sparcserver 670, in a distributed X25 network with 4 Sparcstations, 2 computers, all running under the Unix operating system. It supports 320 dumb terminals, 25 intelligent terminal Sun X-stations and two PCs for imaging.

Value of system: Cost was about £900,000 with about half, £550,000 accounting for hardware and communications.

Police in central Scotland are no longer dominated by form-filling since project Trace, an IT system that allows access to a wealth of intelligence, finds Claire Gooding

Detectives of the database

AT WORK

It's a bad week for criminals in central Scotland. Coming online in Alloa is a computer system that can take information in any form available - paper, voices, video frames, mugsbats - and search for coincidences and common factors across a series of crimes.

By linking with existing databases and making free-text searches across all sorts of data, the police can make the most of even fragments of information, such as the colour of a van and just one letter of its number plate. The Criminal Intelligence Application is the second phase of a project called Trace, which has already cut paperwork in half since the first phase went live at the end of March.

Now it is enabling the police to make connections between events, crimes, locations, even rumour, hearsay and the background knowledge that comes from years of experience. Walk into any police station to report a lost dog, and the paperwork takes at least 20 minutes. Form-filling is the tedious but essential part of policing and it steals time from activities the public sees as more important: patrolling and solving crimes.

Once a charge is made, the paperwork escalates and accuracy is vital: poor paperwork provides legal loopholes. Central Scotland Police confirmed their worst suspicions when investigating procedures two years ago - the same information was often filled in up to 27 times on various forms.

The research team interviewed nearly 300 officers of all ranks, with experience ranging from six months to nearly 30 years. The examination included the end-purpose of the paperwork: what elements were vital for the Criminal Justice System, the Crown Office and other ultimate users outside the police.

"I was looking for a system that would make the front line police-

man's job easier and cut down on the paperwork they are inevitably required to do," explains William Wilson, the chief constable of central Scotland. He was not alone in feeling these needs would not be met by "off the shelf" solutions available from the main suppliers of police systems, including McDonnell Douglas and Bull.

Wilson sits on the Police National Computer board and represents Scotland on the police Technical and Research Committee. In his previous job as deputy chief constable

ordinate significant investigations. Central Scotland wanted a system that would give them access to all these existing resources and their own databases, cutting out repetitive paperwork. They got that and more - a system that could provide real "intelligence" and the ability to make connections.

For police use, the system has been tailored into a product known as CCIMS. Crime and Criminal Information Management. The central Scotland implementation, Trace, goes one step further accord-

BUZZWORDS

Free-text retrieval describes the storage, search and retrieval of large quantities of word-based data, now also known as "full information management". A soundex search retrieves all words of the same sound but varied spelling. A fuzzy match allows a search to be made on an approximation of a word.

A wild card search looks for any number of characters which might explain an indistinct word: *Torloisk*, recorded in the drugs raid, was found to be the name of a wood by searching an intelligence database of previous drug cache locations.

In Fife, his interest in technology led to a joint development with Memex, whose software he had discovered on the police grapevine.

The software, called the Memex Information Engine, enables users to make fast, free-text data retrieval (Texttract) across a number of different databases. Several systems already help the police in various areas: PNC2, the Police National Computer and Holmes, used to co-

ing to Wilson. "It gives us the edge in terms of technology. I like to think it's a new era for policing."

The project required special funding and an investment in manpower, involving two senior inspectors for two years.

The development principles were that everyone on the force should be able to use the system, (unlike the PNC2 computer), and that it should adhere to all existing stan-

CONSULTANT'S CRITIQUE

Code books conventionally hide information. The Memex Information Engine uses them to retrieve it. In the system, every word in a document can be reduced to a code of between one and three characters. If the average word has six letters there is a compression of about 3:1. This reduces the space required to store the information.

When looking for specific words in the database, the search program examines the code book for each document. If the words do not appear at all in a document there is no

need to look at the full text. This speeds things up. Huffman encoding, a more advanced version of this idea, has been around for decades. Nearly every leading data compression utility uses some variant of it. Memex has spotted how encoding can be used to real advantage in searching - the heart of document management.

Traditional document management systems use indexes. Important words - "keywords" are identified and these are stored like labels to aid future searches. Often



Tom Newlands (left) and Peter Watson, face to face with the new computer system

dards, both technical - such as Gossip, the communication standard - and those used internally in the police and judiciary. It also had to provide 24-hour access to existing databases and be user-friendly for first-time users.

Text retrieval often relies on the text being pre-indexed for keywords. Free-text retrieval allows any word or part of a word, even an approximation of it - known as a "fuzzy match" - to be sought and matched.

The Memex Texttract software gets round the problem of slow retrieval due to storing enormous amounts of information by compressing data, using special codes and algorithms. Its speed enables it to capture new data generated by everyday incidents and police work and connect it with other available sources.

"People are restricted by budget, but the beauty of this solution is that it doesn't force you to abandon investment or change direction,

because it can work with almost any existing database," says Wilson.

Inspector Peter Watson has led the Trace project since the initial research. "One of the overriding considerations was that it had to allow expansion with ease. The system isn't just representative of the force workload, it is the workload. It's been designed to facilitate everything the officer does," says Watson.

The next step, coming into force this week, is a multimedia extension, the Criminal Intelligence Application, which brings video clips, paper records, photographs and voice data onto one screen.

One demonstration of the extensions uses a real example - a search based on a recorded telephone conversation, reported by a radio amateur. The name of a local wood, a villain's nickname and the mention of a manhole cover, became search elements that put the police onto a leading drug ring. "Without the

Texttract facility, that tape might have gone into someone's drawer as interesting but useless data and never been exploited for what it could tell us," says Detective Constable Tom Newlands, a member of the Trace team. "It's very flexible: it can take its data from any media, any source, from old black and white prints, to electronic input," says Newlands. "It can also compress a PNC2 dump to one fifth of its size."

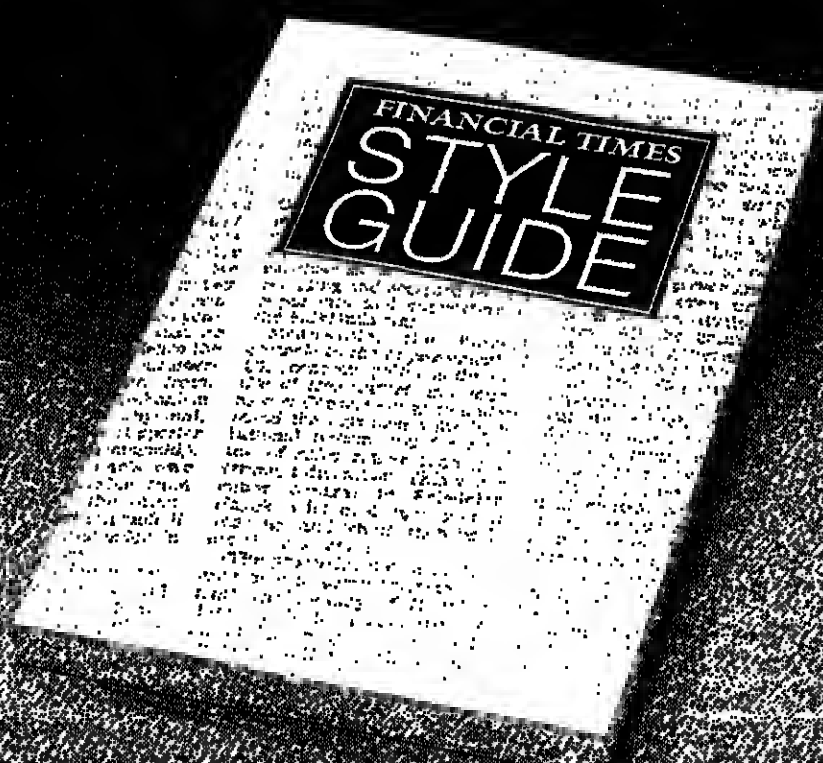
A screen menu details every form-filing task possible: results of breathalyser tests, statistics reports, property crimes, lost and found register. A high proportion of information is available through default, so that certain items appear on the screen automatically, saving keystrokes and increasing accuracy. Every address and post code in the area is on file. When in doubt, a user can "point and pick" from a look-up table of options, such as crime codes.

Wilson does not plan an assessment until the system has been in place a year, but benefits are already visible, such as the few seconds it takes to check an address.

"According to Inspector Tom Sneddon, an everyday end-user of Trace at Alloa, a lot of information that was not immediately relevant used to be lost. 'The problem is that you never know exactly what might be useful. Now it just sits there - it's there when we need it.'"

Benefits in local information-sharing with Fife are also apparent, and Wilson is keen to see the system adopted elsewhere. "I never envisaged it being as comprehensive as it now is. We started with log entries and basic crime reports. Now we've gained a distinct head in terms of technology and the individual officers are the main beneficiaries."

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PEOPLE

SIR BOB REID, the chairman of British Rail, is to monitor standards in England's further education colleges. He will be the inaugural chairman of the Further Education Quality Council, a council set up under the government's auspices to ensure that adult education institutions are spending public money well and efficiently.

Further education is somewhat unlike British Rail in that the government has ambitious plans to expand it over the next few years as part of its move to increase the numbers of students who stay in education after the age of 16.

However, like British Rail, the colleges have recently undergone a period of turmoil as they were transferred from local education authorities to direct government control at the beginning of April.

By appointing Sir Bob, who can expect to find the post demanding albeit part-time,



the Further Education Funding Council for England also hopes to signal its determination that FE colleges will be guided by the needs and demands of industry. Four

other industrialists - who have yet to be chosen - will sit on the council, along with five members from the world of further education, and one student.

Stevens takes the stage at Carnegie

Simon Stevens, head of international equities at fund managers Invesco, has been headhunted by Carnegie Group to run its UK arm, Carnegie International; he replaces Lars Bertmar, who remains the broker's group chief executive.

Invesco, which has been through a turbulent few years, is just beginning to repair its UK operation and, after a wave of departures, seems to be stemming the staff exodus. But 41-year-old Stevens (right) says "it is all about opportunities and how well they fit your aspirations and character". He has a high respect for Bertmar as "a thinker" and approves of his strategy of concentrating on niche markets, in this instance particularly southern Europe.

Carnegie has itself suffered some upheaval. At the end of



1991, Bertmar, a former corporate financier at Svenska Handelsbanken, sacked the three senior managers of Carnegie International, and took responsibility for London himself.

Stevens' job will be to market the services of the analysts around Europe, "to make sure the product is appropriate for the UK market" as he puts it.

The Spanish and Portuguese teams already top the Extel ratings in their country sectors. Bertmar also has ambitions to build a corporate finance capability in those countries, from Spain to Turkey, where there is brokerage expertise.

While he has not worked inside a merchant bank's corporate finance division, Stevens spent a couple of years in the corporate planning department of Grand Metropolitan and held a similar job at Ocean Transport and Trading.

Stevens may soon find himself working for a new owner, as Carnegie's parent, the troubled Swedish Nordbanken, said more than a year ago that its profitable brokerage subsidiary was up for sale in order to allow it to concentrate on domestic banking business.

Non-executive directors

■ Mike Kitchener, a consultant with the European Centre for Plastics in the Environment and former manager, environmental affairs - polymer division, as chairman of SAVE A CUP on the retirement of Derrick Skinner.

■ Neil Lewis, deputy chairman of Oriel Group, at CATTLE'S HOLDINGS.

■ Roger Carey, group md of Slough Estates, at TR PROPERTY INVESTMENT TRUST.

■ Jean Tyrrell, having retired as executive chairman at the age of 73, at SIRDAR.

■ Neville Bain has retired from LONDON INTERNATIONAL GROUP.

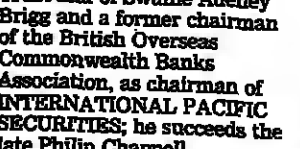
■ Alan White, a former director of Sir Robert McAlpine, as chairman at BARNESLEY HEWITT & MALLINSON.

■ David Winterbottom, former chief executive at Evode, as chairman at ATCO-QUALCAST.

■ Richard Deslandes has resigned from BERRY STARQUEST.

■ Stephen Alexander (below left), md of J Lyons & Co, at DEVRO INTERNATIONAL.

■ Roban Courtney (below right), chairman of Sterling Trust and of Swaine Adeney Briggs and a former chairman of the British Overseas Commonwealth Banks Association, as chairman of INTERNATIONAL PACIFIC SECURITIES; he succeeds the late Philip Chappell.



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Much ado about glamour

A funny thing happened to Kenneth Branagh's Benedict and Emma Thompson's Beatrice on the way to Messina, Sicily, the setting for Shakespeare's *Much Ado About Nothing*. They were waylaid in Tuscany - much prettier - and decided to film there. William Shakespeare, technical adviser emeritus, murmured grudging approval from the grave, parched southern plains were replaced by vine-clad northern hills; and signed-up Hollywood stars Denzel Washington (Don Pedro), Keanu Reeves (Don John) and Michael Keaton (Dogberry) could be made to feel at home in Italy's answer to California's Napa Valley.

Much Ado About Nothing is a travesty, but oh what a lovely one. Have-

MUCH ADO ABOUT NOTHING (PG)
Kenneth Branagh

IN THE LINE OF FIRE (15)
Wolfgang Petersen

LE SAMOURAI (PG)
Jean-Pierre Melville

BENNY'S VIDEO (18)
Michael Haneke

ing found found Branagh's *Henry V* oar-untilled-through as an essay in penurious perversity - all that Olivier pageantry expelled, all those Olivier-dumped conspiracy scenes shoved back in - I find myself all for perversity when it is as glamorous as this. Filmed in eternal sunshine in the Villa Somewhere-or-other, the Bard's darkest comedy is shaken about like glittering gold foil. Even the melodrama scintillates. Poor Hero (Kate Beckinsale), framed for infidelity by wicked Don John (Keanu Reeves in black leather trousers) and spurned by fiancé Claudio (Robert Sean Leonard), takes the only course a young gel could in those days (the days of convoluted Shakespearean subplots) and pretends to have died. But played for serio-comedy by Branagh's mixed-race thespians, even this ancillary tale takes on a loopy splendour. We are so colourfully discomfited by the anything-goes casting - Don Pedro a black American, Claudio a white Brit (Richard Briers) - that our minds home in on what seems by comparison the darkly steadfast reality of the story.

As for Benedict and Beatrice, there is little scope for improvement. Pro-

ducer-director-star-adaptor Kenneth Branagh, after a talent search the length and breadth of his living room, cast Emma Thompson as the haughty love-spurning lady. The Oscar-fresh actress repays the kindness with a delicious performance: it manages like fine wine to be at once rich, intoxicating and amused at its own presumption. Branagh himself, bearded, busy, bemused, his doughy face improved by baking in the sun, tosses the lines about with as happy a comic dexterity as he juggles with an anachronous deck-chair.

The Americans span a gamut from the excellent (Washington) via the adequate (Leonard) to the awful (Keaton's hoarse-voiced Dogberry, Irishing away like Barry Fitzgerald with laryngitis). But this film is, in the best sense, a party. All who come are served; even the odd bore lends variety (provided he is odd enough); and if, dear reader, you feel there can be no final excuse for turning a Shakespearean play into a star-studded Tuscan travelogue, I suggest that you go to see the film and get mugged by its magic as I did.

The two greatest landscapes in American cinema are Monument Valley and Clint Eastwood's face. That scorched, beaten-leather physiognomy is back again in *In The Line Of Fire*. It fronts a plot more catchpenny than the majestic *Unforgiven* - guns, chases, psychos, Presidential assassination - but just as astonishing for its further revelation of Clint the icon.

He now resembles some photograph from the old West, fissured with facial fault-lines and landmarked with craters and ridges, who has been inexorably spirited to new Washington. The Eastwood voice goes with the Eastwood face: a cracked, caressing whisper sandpapered by eternity. This man surely spent his life standing at the edge of deserts, his features sculpted by the sandstorms, his voice by the dehydrating winds?

But no: he has spent his life on the Californian coast where the only deserts are inside film producers' brains. In *The Line Of Fire* is medium-good Clint fare. That is to say, it has an idiotic plot redeemed by the action set-pieces, the one-time wisecracks and Eastwood himself. He is a White House-attached Secret Service veteran who longs to redeem his lapse back in 1963 when he failed to stop the bullet that killed JFK. (Note the dawn of the Failed Presidential Security-Man movie: see also Kevin Costner in *The Bodyguard*, haunted by the bullet that passed him to hit Reagan).



Waylaid in Tuscany: Emma Thompson and Kenneth Branagh in *Much Ado About Nothing*

John Malkovich, with cupid lips and psychotic purr, is the would-be assassin of the President, and J.M. and our hero spend much of the movie exchanging verbal veom down a telephone line. This allows us to watch Eastwood silently reacting to Malkovich's voice-oft taunts and to savour the star's parchment-textured pliz writing palimpsests of silent emotion onto the screen. Later the film erupts into the streets and becomes far less scenic. After Clint the Movie hero is Hollywood the Puppet-Show. Everyone chases everyone else down alleys, over rooftops and into assassination-ready VIP hangouts where the screams of the guests lie in waiting along with the silver-covered entrées.

Germany's Wolfgang Petersen (*The Never Ending Story*, *The Boat*) joins the new generation of Hollywood action directors drafted from Europe. Like Paul "RoboCop" Verhoeven and Renny "Cliffhanger" Harlin, he has a mechanistic efficiency in action sequences and a Nordic delight in knife-twisting in scenes of emotional stress or suspense. Would an American director, apart from Clint himself in *Unforgiven*, portray Eastwood as quite such a racked Grun-

wald presence? Or encourage the scene where our hero breaks down in tears at the memory of that day in Dallas? After this, Eastwood looks as if he could go straight into the histrionic heavyweight ring and give us Buchner or Strindberg.

Eastwood, like all icicle screen heroes, started impassive. So did France's Alain Delon. We see him young in Jean-Pierre Melville's reissued thriller *Le Samourai* (1967) where our (anti)hero is a walking mannequin in trenchcoat, black hat and charismatic scowl.

Delon imparts a perverse, unyielding glamour to this plot about a gunman, a girl (Nathalie Delon), another girl (Cathy Rodier) and a police inspector (François Perier, feodish, funny), all playing existential cat and mouse as if they have just read Conrad's *The Secret Agent* in French. Delon kills for hire; he keeps a caged budgerigar; he steals cars; he wears secret smirk. These are all anti-social activities, but they are rendered magnetic - nay more, mystical, profound, inviting - by that strange ability movie stars have to make "Keep Out" signs read like "Come In".

As in Eastwood's movie, nothing

measures up to the central presence. Jean-Pierre Melville is a modish name in cinephile circles and still deserves respect for films like *Les Enfants Terribles* and *L'Armée Des Ombres*. But *Le Samourai* is the tag end of first-generation French film noir: a shadowy, blue-hazed teaser that twists and twirls its little plot of betrayal and counter-betrayal amid sets and costumes that themselves betray the incongruous dawn of 1960s hedonism. *Benny's Video*, by Austrian filmmaker Michael Haneke, has an impressive criminal for our own times. A boy with a bedroomful of video equipment "motivationally" kills a young girl: on camera, with a slaughterhouse gun, to the accompaniment of her screams. His parents later see the offending video and are shocked rigid. But they try to sweep away the evidence for Sonny's sake. Then, weeks later, Sonny thinks, "What a perfect opportunity to sweep them away."

This bleak, mordant, Ian McEwanish story is spun out to 105 minutes: a length at which it starts to seem less like a darkly ingenious fable than a single meretricious idea surrounded by quantities of narrative cladding. Wait for *Benny's Video* the video, and be prepared to use the fast-forward.

ever - the Israeli-South African Sharon Rostorf - the Broomhill Trust has struck gold. If her top Es are steam-whistles, everything below those extravagant reaches is under insouciantly sexy control. In clown's trousers, somewhere between raggedy-doll and rag-and-boom man (like her *commedia* cohorts), she is artfully tough, funny and self-aware, even when Miller makes her go randy over the legs of a chaise-longue. Perhaps Zerbini's topmost reaches will never be quite comfortable for her, but the personality, the plucky colouratura and her wry aplomb should take her a good long way.

Broomhill (David Salomons House), Southborough, T. No. 01932-517720. Further performances with cast as above August 27, 31 September 4, with alternate cast, August 28, September 1, 3

The Edinburgh Festival

Schubert and Janáček operas

This was a competition Janáček was always going to win. In the combative world of opera the festival's two main featured composers had opposite experiences: Schubert retired hurt aged 35 after a number of youthful failures, while Janáček went on to compose a series of great operas in his sixties, which rank as his most lasting achievement.

No fully-staged operas by either of them feature this year in Edinburgh's programme (an important omission to Janáček's case). Instead, there was an intriguing evening, which presented two rarely-heard operas in concert - Schubert's *Die Freunde von Salamanka* and Janáček's *Sárka*. For opera-lovers this may have seemed a raw deal, but it is always worth taking a risk with rarely-heard operas in case they hold untold delights. Janáček thought *Sárka* was a good piece himself. He wrote it in his early thirties, which makes it one of his earliest works to survive, revised it, failed to get it performed, revised it again late in life, and finally saw it reach the stage as a 70th-birthday tribute. It only lasts an hour, but into that time an epic in miniature is compressed.

The opera takes place way back in Czech mythological history. An army of warrior women is roaming the land in protest against male domination, beating the men at their own game and causing consternation in the male camp at the daring exploits of their boldest fighters. No, Janáček is not about to raise his voice in the cause of women's rights, his interest had been taken by the nationalist undercurrent of the

plot, which can be read as a call to emulate the heroes of Czech mythology.

No doubt that is why the music is so impassioned. The score proceeds in fits and starts, but its ideas are consistently strong, vivid, uplifting, because the composer wanted *Sárka* to make an impact. Among its best moments are a love duet huilt of disjointed musical motifs in the mature Janáček manner and a final act (all of 15 minutes long) which is a Wagnerian threnody for the fallen hero. The interest rarely slackened in this lively performance by the BBC Scottish Symphony Orchestra under David Robertson.

It was also well sung. *Sárka*, the warrior maid who ambushes and murders the man whom she then decides she loved, looks potentially a host of a character, but Helena Kaupová sang her music with calm and dignity. William Kendall brought some strength to the hapless Olaf, the supporting roles were well taken by Christopher Ventris and Neal Davies.

Nert to this, the 18-year-old Schubert's *Die Freunde von Salamanka* (wisely performed first) is an apology for an opera. Nice people, an inoffensive story, no dramatic tension whatsoever and music which is so charmingly insubstantial that one puff of the Janáček blew it all away. Despite a decent cast of middle-ranking British singers, this concert performance showed that at 90 minutes, it is far too long. Wise young Schubert to give up opera and move on to better things.

Richard Fairman

Transfixed by Berkoff

Edgar Allan Poe and Steven Berkoff: a marriage made in Heaven or perhaps for some spectators Purgatory. Both favour the wider side; both plough their own imaginations; both choose the Gothic and place style before content. So Berkoff performing Poe's *Tell Tale Heart* is an awesome experience.

The silences, and the slow drawing out of certain of Berkoff's favourite words, like "stealthily", are only matched by his rat-a-tat explosions of action. As the mad man who murders the miser to avoid the stare of his fishy blue eye, Berkoff is as well matched as a sweater to Edinburgh. And as the drama proceeds from the slow laborious preparations for the killing to the rising, insistent, reproachful beat of the dead man's heart as it pounds from its hidden grave, so Berkoff winds up the audience to the pathetic climax. Sometimes the words are strangled, but beyond meaning, but the body never fails to speak loudly and Berkoff even makes a virtue of mime. No one climbs an imaginary staircase better; no one opens the door with more dread.

This is how Dickeos must have transfixed an audience at his public readings and if it owes more to Victorian excess, to the Henry Irving school of acting than to sophisticated realism, that is spot on for Poe. Berkoff brings death to life.

The other two monologues in his show at the Assembly Rooms are superficial stuff, some rhyming nonsense about a failing actor, and an East End tough singing the praises of his killer dog. But Berkoff uses his physical presence to more effect than any rival and makes a convincing case for his self-proclaimed slightly odd genius.

Twenty-three year old Crispin Whittell has hardly edged into the public limelight as a dramatist but this year's *Killing Him* (The Pleasance) adding greatly to the reputation he established last year with his play *Success* must suggest a great future. Black (or White) Wednesday is already an important historical date and the tensions, both private, political and philosophical, that it generated are superbly captured in Whittell's play. The dialogue cracks along, with City slang, designed to make the awful scene palatable, running happily with spouts of poetical lyricism. The style is so sharp that we take defeat and murder happily in our stride. The four characters screw each other and themselves to perfection but the moral survives beneath the wit in the audience's total identification with the only decent character, an unemployed birdwatcher. Wonderful acting; as unexpected treat.

Antony Thorncroft

Opera at Broomhill/David Murray

Jonathan Miller's 'Ariadne'

which he wrote so ingeniously. (Bigger houses have to fatten the string-sections, at the sacrifice of a certain appealing frailty - tackiness, even - in the orchestral sound.) But it is no kind of piece for mere students; and in fact most of the participants here are full-blooded young professionals, for whom the Broomhill "course" must count less as a study-camp than as an invaluable public showcase.

The Broomhill music staff - headed by Jean Mallardine and Courtney Kenny, both of them distinguished keyboard assets (celesta and piano) to the excellent Britten Sinfonia in the pit - have done their casting cunningly and well, with satisfying results. The cast I heard on Monday was more than creditable, but there is a whole alternate cast as well:

presumably not just a second eleven, since they were scheduled for the Royal Gala performance on Tuesday. I wish I could have heard them too. The quantity of well-schooled operatic talent these days is astonishing.

Jonathan Miller is the director, far more at home with the *Ariadne* comedy than he was recently with the *verismo* melodrama of Giordano's *Fedora* (for Brexgen and Vienna). If Mark Bailey's veggie Edgar, a "designer" seen mostly cobbled together from rented costumes, and the theatre's own faded backdrops, they supply all that is needed - where the last Royal Opera production provided an ultra-lavish, comedy-killing excess of everything, and the last ENO one a glum hi-tech mess. It matters that the *Ariadne* opera-within-

an-opera is meant to be put on almost impromptu, in a Viennese parvenu's *Stadtpalais*.

Strauss and his librettist Hofmannsthal meant their *Ariadne* o-within-an-o, to be a farcical confrontation between lofty opera seria manners and earthy *commedia dell'arte*. For assiduous British theatregoers, unfortunately, the latter label has become attached to mangled, direly unfunny exercises. Miller has had the good sense to scrap any "commedia" associations. In favour of unabashed Cambridge Footlights knees-up style, and it works. The brightest of his comics, William Dazeley as Harlequin, is a Cambridge product, engaging enough to compensate for his somewhat "glub, no-tenner delivery of "Lieben, lassen", the gem of his part as Strauss composed it.

The strenuously "beroiic" role Strauss wrote for his Bacchus, the god who rescues the abandoned heroine from her death-wish, flatters hardly any teatime (not since Jess Thomas, anyway), but Nicholas Buxton copes with it manfully. His *Ariadne* is Rachel Sparer, a very tall American soprano: intelligently musical, strongly projected (to a hardish timbre, which awaits maturer depths), too little sensitive to her visionary words - but with delectable started-moose reactions to the low-class *commedia* offensive. In this cast the young Composer is Teresa Shaw, upoo whose heartfelt "Musik ist eine heilige Kunst!" outburst Miller has foisted rather too many donnish ties and twitches.

With their Zerbinietta, how-

INTERNATIONAL ARTS GUIDE

DROTTNINGHOLM

Eisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. Figaro, a ballet-pantomime after Beaumarchais, choreographed by Ivo Cramer with anonymous 18th century music arranged and conducted by John Lanchbery, returns to the programme for five performances between Sat and Sep 4. Edita Gruberova gives a recital on Sep 3 (08-660 8225).

EDINBURGH

CONCERTS In the final week of the festival, Carlo Ruzzi conducts the Royal Scottish National Orchestra and Edinburgh Festival Chorus in Verdi's Requiem; Alfred Brendel plays Schoenberg's Piano Concerto with the South West German Radio Orchestra under Michael Geller; and the Leipzig Gewandhaus gives two concerts under Kurt Masur. Libor Pesek conducts the Royal

Liverpool Philharmonic in the final concert on Sep 4. Ann Murray and Philip Langridge give a late evening duo recital on Sep 1. Other recitalists include Felicity Lott, Dawn Upshaw, Anna Sofía von Otter and the Lindsay String Quartet.

OPERA

Canadian Opera Company gives its European debut on Sat and Sun with a double-bill of Bartók's *Bluebeard* (Victor Braun) and Schoenberg's *Erwartung* (Rebecca Blankenship), staged by Robert Lepage and conducted by Richard Bradshaw. Also at the Playhouse, Welsh National Opera performs Peter Stein's production of Verdi's *Falstaff* next Thurs and Sat, with a cast led by Donald Maxwell, Bryn Terfel, Suzanne Murphy and Claire Powell, conducted by Richard Armstrong.

THEATRE

Berlin's Hebbel Theater presents the Bob Wilson/Gertrude Stein theatre piece *Dr Faustus Lights the Lights* at the Lyceum tonight, tomorrow and Sat. The final week has a formidable line-up: Peter Stein's German-language production of Shakespeare's *Julius Caesar* comes to the Royal Highland Exhibition Hall direct from the Salzburg Festival; Berlin's Deutsches Theater brings Kleist's *The Broken Jug* to the King's; and the Lyceum Theatre hosts a Glasgow Citizens' production of Jacob Lenz's *The Soldiers*, designed and directed by Philip Prowse. For those wanting a stronger Scottish flavour, the Assembly Hall is the place to be: Tag Theatre Company is presenting its stage adaptation of Lewis

Grassie Gibbon's trilogy *A Scots Quair*, a classic of Scottish literature.

DANCE

This has been the weak point of this year's programme. The final show is the Bill T. Jones troupe, at the King's on Sat and Sun. Official Festival: telephone bookings 031-225 5758. Military Tattoo: 031-225 1188. Fringe: 031-226 5257.

LUCERNE

Mariss Jansons conducts the Oslo Philharmonic tonight and tomorrow in music ranging from Dvorak and Shostakovich symphonies to Richard Strauss's Alpine Symphony and Tchaikovsky's Violin Concerto (Midori). Two concerts on Sat, featuring the Lithuanian Chamber Orchestra and South West German Radio Symphony Orchestra, place a special emphasis on the music of Alfred Schnittke, who is the festival's first-ever composer-in-residence. The Russian theme is also pursued by the Royal Concertgebouw under Riccardo Chailly on Sun and the Berlin Philharmonic under Claudio Abbado on Mon and Tues (with Evgeny Kissin playing Prokofiev's Third Piano Concerto in the BPO's first programme). The Bolshoi Opera Orchestra and Chorus give concert performances of Rakhmaninov's *Aleko* and Tchaikovsky's *Volentia* and Eugene Onegin (Sep 3, 4, 5), while choral and orchestral forces from St Petersburg give the final programme of Rakhmaninov on Sep 6. Other visitors in the final week are the Taverner Consort and Choir under Andrew Parrott, the

English Chamber Orchestra with Pinchas Zukerman, and the Vienna Philharmonic Orchestra, which will give concerts under Daniel Barenboim on Sep 6 and 7. For anyone wanting a break from the music, there are paddle steamers on the lake, trips up the Pizetta and Rigi mountains, and visits to the Transport Museum and Lion Monument (041-235272).

MONTREUX

This year's festival is the first to take advantage of Montreux's new lakeside concert hall, the Auditorium Stravinsky. Montreux has never been known for its thematic content, but this year features a series devoted to French chamber music, including rare works by Reynaldo Hahn, Vincent d'Indy and Charles-Valentin Alkan. Visiting artists include Alicia de Larrocha, Barbara Hendricks, Pinchas Zukerman, plus the Royal Concertgebouw, the St Petersburg Philharmonic and Bavarian Radio Symphony Orchestras. Ends Sep 24 (021-983 5450).

SALZBURG

Centrepiece of the final week is a new production of Mozart's *Lucio Silla*, which opened last night at the Kleines Festspielhaus and is repeated on Sat and Mon. It brings together two alumni of Gerard Mortier's Brussels regime - the conductor Sylvain Cambreling and the stage director Peter Mussbach. The cast is led by Ann Murray and Luba Orgonassova. There is also a final performance tonight of Herbert Wernicke's new staging

of Monteverdi's *L'Orfeo*, conducted by René Jacobs, with a cast led by Laurence Dale. On Sun in the Grosses Festspielhaus, Bernard Haitink conducts Johannes Schaa's 1991 production of *Die Zauberflöte* - described by Max Loppert on this page as a classic Mozart staging, with a youthfully fresh cast led by Anton Scharinger, Dean van der Walt, Ruth Ziesack and Surl Jo. Next Mon, Georg Solti conducts a final performance of the Ronconi production of *Falstaff*, with José van Dam in the title role. Tomorrow and Sat, Claudio Abbado gives concerts with the Berlin Philharmonic Orchestra, while the Vienna Philharmonic plays a Bartók and Brahms programme under James Levine on Sat late afternoon and Sun morning. There are also afternoon performances in the Felsenreitschule of Peter Stein's 1992 production of *Julius Caesar* (0682-944501).

STRESA

Situated on the shore of Lake Maggiore in northern Italy, Stresa offers some high-quality artists but no programme theme. This year's festival opens on Sun with a Tchaikovsky programme played by the Royal Philharmonic Orchestra under Yehudi Menuhin. Riccardo Muti conducts the Scala Orchestra in works by Brahms, Busoni and Ravel on Sep 2, and Claudio Scimone directs *I Solisti Veneti* on Sep 13. There are also recitals by Tokyo Quartet, Wanderer Trio and Lazar Berman. The closing concert on Sep 16 is given by the Orchestre National de Lyon conducted by Emmanuel Krivine, with violin soloist

Viktoria Mullova (Sattimane Musicali di Stresa, Palazzo del Congressi, Via R. Bonghi 4, 28049 Stresa, Tel 0323-31095 Fax 0323-32561).

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Tonight: recital by Omar Ebrahim, Yo Yo Ma, Peter Serkin and Emanuel Ax. Tomorrow: Marek Janowski conducts Tchaikovsky, Richard Strauss and Johann Strauss. Sat: John Williams conducts works by Tippett, Elgar and Bernstein, with cello soloist Yo Yo Ma. Sun afternoon: Janowski conducts all-Beethoven programme, with violin soloist Frank Peter Zimmermann. Next Tues: Boston Pops. Sep 2: Gerry Mulligan Quartet. Sep 3: Tony Bennett and Count Basie Orchestra. Sep 5: Lincoln Center Jazz Orchestra and Ramsey Lewis Quintet. End of season (Ticketmaster Boston 617-331 2000 New York City 212-3077171).

VERONA

The Arena season ends with Khachaturian's ballet *Spartacus* choreographed by Yuri Grigorovich (tonight and Tues), Aida conducted by Nello Santi (tomorrow), La traviata with Maria Spagnola as Violetta (Sat and Mon) and Carmen with Elena Zarembo and Michael Devlin (Sun). Arcovoli 8-9 dell'Arena tel 045-599517 fax 045-801 3287.

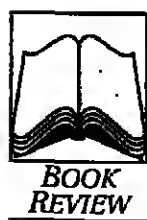
ARTS GUIDE

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Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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The government as a 'stationary bandit'



BOOK REVIEW

A great deal was written, especially in the 1970s, on the economic tensions affecting democracy. Competition for votes tended to generate unrealistic expectations, contributing to the notorious overload on government. Moreover, democratic government was infested with interest groups which badly affected economic performance.

The more careful writers in this vein did not say that dictatorships would perform better or as well as democracies. An American economist, Mancur Olson, who himself pioneered much of the earlier interest group analysis, has now gone on to analyse the endemic weaknesses of dictatorship.

But, first, he makes important observations on the advantages of one type of dictatorship over another and of most types over anarchic violence.

His starting point is the same as that of the English philosopher Thomas Hobbes: the need to prevent anarchic violence at almost all costs. The victims of violence and theft lose not only what is taken from them, but also the incentive to produce any goods for exchange with others.

The worst curse that can be suffered by a society in Olson's view is "roving bandits". Where these are prevalent no security of property exists, it is just as bad for the bandits; and one of the biggest gains in human history is when a bandit leader seizes a given domain, becomes a "stationary bandit" and himself begins to expel all other roving bandits, as did the successful Chinese warlords of the 1930s.

The rational stationary bandit will acquire a monopoly of theft, which he will call taxes; but the taxes will be extracted in such a way that the society still has some incentive to produce. For the stationary bandit will be able to take more if he leaves his subjects with the means to generate taxable income. "Thus we have the first blessing of the invisible hand: the rational self-interested leader of a band of roving bandits is led, as though by an

Dictatorship, Democracy and Development
By Mancur Olson
American Political Science Review
Sept 1993

invisible hand, to settle down, wear a crown and replace anarchy with government."

Eventually the bandit establishes a dynasty and acquires respectability. "History until relatively recent times has been mostly a story of the gradual progress of civilisation under stationary bandits interrupted by occasional episodes of roving banditry."

More needs to be said, however, on the difference between autocrats, such as the Bourbons and the Habsburgs, and



Olson: deft on dictatorships

the rule of the mafia. The word "legitimacy", which Olson does not mention, must come into a full explanation. Simply because it has been established for generations, a dynasty acquires some basis of consent even if people are not fooled about its origin.

There are other elements too. A successful legitimate government has more undisputed control over its territory than mafia leaders, who are often at loggerheads with each other as well as the official government and are less able to protect the population. Thus mafia leaders have more of the characteristics of roving bandits. Yet, if one leader comes out on top and his family rules for generations, he too will establish a legitimate dynasty.

Olson comes into his own in analysing the difference

between the tax behaviour of stationary bandits and democracies. A dictator or bandit will want to maximise his own revenue and not care about the effect on the national income provided that the tax-take is as high as it can be. However, modest his own needs, he has an unlimited stock of prestige projects or wars of conquest that he wants to finance. A democratic government will care about the effects on the population and not just on the government's takings.

Of course, a democratic government might try to buy elections by transferring income from a minority to a majority. But the majority will still have a substantial market-generated income and thus care more for the productivity of society than would an absolute ruler.

Olson has a less clear-cut theory of how democracy emerges. He falls back, perhaps rightly, on accidents of history, such as occasions when an individual who orchestrates the overthrow of an autocracy is not strong enough to set up another autocracy of his own. This may leave a stalemate and the need to work with other groups. But the danger surely is that such a stalemate will produce not constitutional government, as in the case of the English Glorious Revolution of 1689, but a weak state in which rival violent groups flourish, as in Russia today.

Some pessimists have concluded that the autocrats who rule China and until recently ruled Chile were right; and that the development of a flourishing market economy must precede civil liberties and constitutional rule, whatever the restrictions and disadvantages. But there are other moralists too. The more successful record of the Czech Republic suggests that a rule of law tradition, covering property rights as well as safety of the person, can enable a constitutional democracy to preside over the re-entry to capitalism.

Although Olson does not provide all the answers, he provides much more stimulus and understanding than many holders of Nobel prizes and takes us beyond the stale arguments on which so many social scientists are still impaled.

Samuel Brittan

Mr Yakov Eisenberg, director of Kharkiv, one of the two factories where guidance systems for the Soviet Union's space and nuclear weapons programmes were designed, is trying to muster enthusiasm for a new product: an orange plastic, public transport token.

In his office in the eastern Ukrainian city of Kharkiv, he says with rather forced gaiety: "The scientist who came up with this had a really good idea, and I am proud to say that I was part of the group that helped to make this token a reality." Holding the token to the light, he explains that it is much cheaper to produce than the old, metal token and even harder to fake, because it contains a sensitive metal strip.

But then Mr Eisenberg sighs deeply and explains: "Of course, this sort of thing is just a hobby for us. Our real work is to design guidance systems for nuclear missiles and space shuttles. We are as good at that as anyone in the world. But now we have no more orders."

Sighs like Mr Eisenberg's can be heard all over Ukrainian factories, as managers of some of the world's most sophisticated arms plants struggle to adjust to the end of the cold war and the disintegration of their largest market, the Soviet Union. The pervasive mood at many defence factories, once the most coveted and prestigious sector of the economy, is one of bitter nostalgia.

For the Ukrainian government, striving to secure the new nation's independence, conversion of the factories to civilian uses poses one of country's most serious political and economic challenges.

More than 1.5m Ukrainian workers and as much as 40 per cent of the country's industrial production were devoted to making arms when the Soviet Union existed. That is roughly equivalent to the number employed by American defence industry, but Ukraine's population is only 52m, compared with 248m in the US.

The government's attitude towards conversion is ambivalent. Officials in the capital, Kiev, realise that military factories, many of which are standing idle but receiving state credits to maintain their workforces, are a drain on the national budget and one reason why the inflation rate is running at about 50 per cent a month.

But the government is unwilling simply to cut off the

Conversion on the road to capitalism

Chrystia Freeland on Ukrainian coupons and the art of motorcycle maintenance



Simon Hiemans, UK ambassador to Ukraine, riding a motorcycle made by a tank factory in Kharkiv

credits - loans which are rarely repaid - and force these enterprises which are unable to convert to consumer products to close.

Mr Vitalii Shmarov, deputy prime minister responsible for the defence industry, says: "We cannot just allow all of this tremendous technological potential to die. If we do, our country will be reduced to the level of a third world nation."

Mr Shmarov wants to allow some factories to carry on making arms to sell abroad, and at the same time to subsidise others so that they can switch to high-tech manufacturing.

However, Ukraine's parlous financial condition means the government's room for manoeuvre is extremely limited. Economically, it cannot afford to keep paying the credits; politically it cannot afford to stop them.

The Malyshev tank factory in Kharkiv, which makes the sophisticated Soviet T-84 tank, illustrates the squeeze facing the government. Before the collapse of the Soviet Union, arms, principally tanks, accounted for 70 per cent of the plant's output. But Mr Hennadii Levchenko, manager, says that

since the first quarter of 1992 he has not received a single order from Moscow for tanks. Mr Levchenko and his workforce are trying to adapt: they have started to make motorcycles and machines designed to extinguish oil-well fires. The latter are tanks with water cannon mounted where the gun turrets would normally be. So far, sales have not covered

"I do not care if I'm selling a tank or a toy. What matters is people wanting to buy it"

costs. Mr Levchenko, who has kept a big stained-glass hammer and sickle in the foyer of his factory, admits: "Our civilian products are only bringing us losses."

So how is the Malyshev factory surviving? "We live on credits," Mr Levchenko concedes, estimating his factory's total 1993 debt at 12bn Ukrainian coupons (\$1.5m), most of it borrowed from the government at an interest rate lower than inflation and unlikely ever to be repaid.

Even though the Malyshev factory is in the red and operating at just over half its capacity, it maintains a workforce of 25,000. Mr Levchenko is proud of providing his workers with 19 daycare centres, a recreation building and two holiday health spas. He complains that the government has not given him enough money to finish building a sports stadium.

For Mr Levchenko, conversion to non-military production is a waste of time anyway. His main aim is to keep his workforce intact until the government decides to build more tanks, preferably for countries in the new Commonwealth of Independent States.

He wishes that the Ukrainian military still formed part of the Soviet armed forces. If the split had not happened, as the Soviet Union broke up in December 1991, he could have carried on supplying the entire Soviet Union with tanks, he says. Now, Mr Levchenko hopes for the day when "the Ukrainian army becomes a real army and asks our factory to build it some new tanks". The Ukrainian minister of defence should, he says, "be pounding his fist on the table and

demanding money for new weapons."

Such views are shared by other managers of defence plants in eastern and southern Ukraine, where many of the region's leading designers and manufacturers of nuclear weaponry are located. Some western observers suggest they are lobbying for a nuclear Ukraine. Mr Markian Bilinsky, a British international affairs academic, says: "Can you imagine the feelings of loss of prestige of factories switching from making some of the best military technology in the world to making ice-cream machines?"

In the south, in the city of Dnipropetrovsk, workers who once built intercontinental ballistic missiles, for which Mr Eisenberg's enterprise designed the guidance systems, are now producing machines to dry rose petals for perfume. Further west in Mykolaiv, near the Black Sea, the shipyard that produced all of the Soviet Union's aircraft carriers is switching to nil tankers - which are more lucrative but considered so easy to build that the factory manager dismissively refers to them as "mere empty boxes".

But despite the reluctance of many former arms makers to change either their products or their methods, there is a groundswell of private enterprise which is gaining momentum.

It is being prodded along by men like construction company owner Mr Stepan Erlik, who thinks there could be a western market for the Malyshev factory's four-wheel motorcycles. He has found a western partner, and they are buying 1,000 vehicles to sell in the UK and North America.

Although Mr Erlik, whose primary business is building houses and offices, has only 500 employees, in contrast with Mr Levchenko's 25,000, it is the former who is providing the finance for some imported motorcycle parts. He also fakes the bill when Mr Levchenko travels to trade fairs in the west.

Mr Erlik does not share Mr Levchenko's nostalgia for Ukraine's once mighty defence sector. "What is conversion?" he asks rhetorically. "It is when factories that made goods which were not needed by the people are forced to make goods which the people want. I do not care if I am selling a tank or a toy. What matters to me is whether people want to buy it."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Pay laws a barrier to equality

From Ms Kathy Sutton.

Sir, Your report that the Equal Opportunities Commission and the Trades Union Congress are making representations to the European Commission about the UK's equality pay protection highlights the fact that UK law fails to guarantee fair and decent wages for women ("Brussels asked to rule on Britain's equal pay laws", August 24).

Throughout the 1980s and into the 1990s the government has tried to deregulate pay and employment conditions with policies that have disproportionately affected and discriminated against women, who

make up the majority of people working in undervalued, low-paid and low-status jobs.

Over the same period European equality legislation has enabled women to challenge deregulation and gain important new rights that have helped them on the road to being treated equally in the workplace - equal pay for work of equal value, equality in retirement and redundancy ages and, most recently, the right to decent compensation in cases of sex discrimination.

The government argues that it is creating opportunities for women. But each time it is forced to take action by Europe

there has been no discernible direct effect on the levels of women's employment. Indeed following the introduction of the Equal Pay Act, women's employment actually rose.

The government's arguments are designed to disguise its opposition to policies that attack the widespread undervaluing of women's skills and contribution to the workplace. As wise employers know and understand, those are the policies of yesterday.

Kathy Sutton,
Pay Equity Project,
c/o Liberty,
21 Tudor Street,
London

Smithson obituary insensitive

From Mr Leonard Manasseh.

Sir, Your architecture correspondence, Colin Amery, does himself no credit with his obituary on Alison Smithson ("A brutalist partnership dissolves", August 23).

It is not so much an obituary as a continuation of his familiar polemic.

It is true that Mr Amery recognises and pays tribute to the Economist group of buildings, but the remainder of the article reveals his visceral beliefs.

Mr Amery's right to his opinions and to air them is not in question, but the brutal insensitivity of the headline and of the photograph illustrating his piece were less than chivalrous.

There must be hundreds of photographs of the Economist building. The selection, which can hardly have been accidental, of a view taken through a fish-eye lens, with its ludicrous distortion, makes his praise of the buildings seem a little hollow.

Would that Alison were here to respond.
Leonard Manasseh,
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Tackle new standard before it hurts

From Dr A S Hearne.

Sir, Peter Carty highlights the bureaucracy likely to be created by BS7750 ("Struggling with new standards", August 24). The bureaucracy will be particularly severe for small and medium-sized companies. Rather than increasing their international competitiveness it could decrease it, as a direct result of increased administration costs.

Perhaps this would be acceptable if it led to improved environmental performance. But this is not the case: the

best we can expect is improved monitoring of environmental performance.

The UK government is consulting about both BS7750 and its European Community variation, the environmental management and audit scheme. However, the assumption is that the bureaucratic route to improving environmental performance has an important role to play.

This seems an unnecessary dilution of the government's attempt to relate the environment directly to the market-

place. This can and should be done rather than allowing the accreditation and certification industry (which includes the British Standards Institution) to add a further level of non-productive costs to our hard-pressed businesses.

Let's deregulate this one before it does any harm.

A S Hearne,
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Political differences are impeding European monetary union

From Mr R H Campbell.

Sir, What a dispiriting article by Christopher Johnson ("Still on track for a single currency", August 23). He sees the achievements of the exchange rate mechanism as reducing inflation, giving banks windfall profits during the recession and providing the backdrop to the demolition of trade barriers.

His third point perhaps has some merit but I would prefer to attribute the welcome moves to the single market to affluence in the 1980s and political unity. Trade language has stiffened as growth has slowed. It is true that inflation in the European Community - Germany excepted - has been low in recent years, as it has all over the developed world. But I do not accept Mr Johnson's implication that, without the ERM, we would have high inflation in Europe. Inflation in

the UK was worsened by the shadowing of the D-Mark, as was the recession by entry into the ERM and the two further years of high interest rates.

The deflationary pressure of high real interest rates in a recessionary environment in France, Scandinavia and the Benelux countries, required by the ERM, has been damaging.

Mr Johnson's second point is incredible. I am not averse to traders making currency profits, and it was certainly true that the UK banks, in particular, needed profits in order to rebuild balance sheets and prevent monetary growth from stalling.

However, I am not sure large random cash transfers into the market from central banks are a rational policy response. A main beneficial medium-term impact of a fixed exchange rate, system is competition on inflation rates, yet the policy thrust

of Mr Johnson's article is to recommend a move to fixed real exchange rates.

It is sad that, after the damage caused by an ERM operating in conditions of world recession and divergent EC economies, one can still read that "the case for one market, one money is as strong as ever". Surely it should be clear that, without political union, as in the US, monetary union is neither sustainable nor desirable?

R H Campbell
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London W11 1ET

From Mr Tony Hockley.

Sir, Christopher Johnson proposes another half-baked scheme for monetary union in response to the collapse of the previous one.

Immediately the goal of monetary union for members of a currency area is set, the scope

for speculation is increased. It is sensible and almost inevitable in the interim period before the introduction of the single currency that the markets will test the resolve of the authorities to remain on track.

I am less convinced than Mr Johnson that the UK is under-estimating the will of its European partners to achieve monetary union. The final decision is political not economic. When political resolve has been properly tested, as at the time of German currency reunification, it has failed.

While the goal of monetary union based upon monetary stability is entirely laudable, it is imperative that the political arguments are won before the economic arguments begin again.

Tony Hockley,
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Next Wednesday, the Financial Times is publishing a special survey entitled 'Africa: A continent at stake.'

In it we will outline and debate the current issues facing the continent and look at ways in which governments, donors and aid agencies are working to resolve them.

For those interested in Africa's future it will make essential reading.

Africa: A continent at stake.

The Financial Times

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Thursday August 26 1993

A moment for truth in Bonn

TODAY'S meeting in Bonn between Mr. Eduard Balladur, the French prime minister, and Chancellor Helmut Kohl of Germany is a moment for sober reflection on the troubles at the heart of the European Community. Because this is their first encounter since the storm that blew down the exchange rate mechanism, monetary matters will undoubtedly loom large. With the two countries still at odds over agriculture, so will the EC's position in the Uruguay round of multilateral trade negotiations. With Bosnia burning and the European Community's role there under a deepening shadow, the two leaders may find time to fret together about the former Yugoslavia.

But there is more at stake today than these individual issues. It is time for the French and German governments to take a more fundamental look at the strengths and weaknesses of their relationship, and to talk frankly about their interests - both where they coincide and where they diverge. Nobody should underestimate the underlying strength of the Franco-German partnership. Taken individually, the issues that divide them are still relatively minor compared with what they have in common. Divisions over multilateral trade cannot detract from the economic integration that has made each the other's largest trading partner by far. Disparities over exchange and interest rates should not eclipse the two governments' shared desire to proceed towards a single currency. Neither these disputes nor friction over foreign policy can call into question the role of the Bonn-France axis as the driving force of the European Community. On the contrary, when the relationship comes under stress, the instinctive reaction in both capitals has long been to close ranks.

Unflappable Balladur

That is one way of reading the events since the collapse of the old ERM. Despite the widening of currency trading bands, the ineluctably unflappable Mr. Balladur has gone about his business as if little has changed, with a downward tweak of interest rates here, a suggestion of closer economic policy co-ordination there, and the occasional diatribe against currency speculators. The Bundesbank, having

cheekily urged its partners not to cut and run after the debacle that it helped to provoke, may (just may) oblige with a half-point cut in the discount rate today, enabling both countries to pretend that they are on course together for the second phase of *Monnet*. Harmony will be restored, and the French will top it off - at a price - with a promise to co-operate over the Blair House agreement with the US on agricultural subsidies.

Franc fort

The problem is that these agreements, like many that have preceded them, will deal with the symptoms of the malaise, not the cause. On the monetary front in particular, Mr. Balladur's understandable reluctance to admit the demise of his *franc fort* policy still leaves him performing an awkward balancing act between the needs of his domestic economy on the one hand, and the dictates of European policy (and French self-esteem) on the other. The former cries out for lower interest rates; the latter appears to dictate a floor under the exchange rate. And if he continues to insist on subordinating the former to the latter, he will depend as much as ever on the whims - and perceived domestic policy priorities - of the Bundesbank. Sooner or later as the political temperature in France rises, the two imperatives seem bound to collide.

It is undoubtedly a horrible dilemma. What if - and the accompanying political clamour in Paris - underlines the way in which the balance of power between France and Germany has shifted since German unification. For all his public poise, Mr. Balladur is crossing the Rhine today essentially as a supplicant. It is Germany, more than France, that now has real policy choices in Europe, and as the ERM debacle illustrates, post-unification Germany will sometimes choose to subordinate the needs of European co-operation to the interests of combating inflation at home.

The underlying problem in the Franco-German marriage is that the two countries have yet to conduct a full and frank discussion of how their European ideals relate to their national interests. If today's meeting helps to clarify that fundamental question, it will have served a useful purpose.

Nasa lost in space

THE NASA scientists listening with increasing desperation for radio signals from their Mars Observer spacecraft realise that much more is at stake than the \$1bn mission to study the red planet. Failure to make contact with the silent probe would be a crushing blow to future missions to Mars, which had been designed to use Observer for communications and/or for spotting promising places to land on the planet's surface. More generally, an Observer write-off, following a string of other technical and managerial disasters, would raise the most fundamental questions about the US space agency and the management of its \$14bn-a-year budget.

Nasa's morale has never fully recovered from the 1986 Challenger disaster. The manned shuttle programme is still plagued with technical problems. Several scientific missions, including the Hubble space telescope, are performing below par. And poor leadership has left Nasa's plans to build an orbiting space station in disarray; Congress may yet kill the project.

One part of the agency is still running well, its public relations. But even a PR machine that makes the most of every opportunity - for example, trumpeting fuzzy pictures from the space telescope as breakthroughs in our understanding of the universe - cannot disguise the fact that Nasa needs radical reform.

The problem is that the gungho Nasa of the 1960s, geared up to beat the Soviets to the moon and then the planets, has grown into an elaborate bureaucracy. Its senior managers, including several astronauts from the glory days, tend to be more interested in running multi-billion dollar mega-projects than cost-effective scientific missions. The emphasis is on technology rather than science.

Radical solutions

Given the reality of Washington politics, the most radical solutions are not feasible. It might make sense, for example, to remove the space science activities, such as observatories and planetary exploration, from Nasa and fold them into the National Science Foundation. Nasa would then be responsible

for manned activities - the shuttle and space station - and for promoting space technology. But the agency has too many defenders, in Congress and the aerospace industry, who would fight to prevent anything that looked like a break-up.

So the overhaul has to take place within Nasa's current boundaries. The first requirement is to make sure that space exploration is really led by science rather than the internal agenda of Nasa managers. That means giving scientists outside the agency, particularly from universities, more say in its programmes. The practical result is likely to be a larger number of smaller, more flexible - and more imaginative - missions than Nasa is planning today.

International plans

Secondly, Nasa must change its mentality more quickly from a national space agency to a partner in international programmes. Progress is being made. This summer a three-way collaborative project was announced: a gamma-ray observatory called Integral that will carry a US instrument on a European satellite, to be launched by a Russian rocket in 2001. It is the first mission designed from the start to involve Nasa, western Europe and Russia. More would be welcome.

The European Space Agency's science programme, known as Horizon 2000, is indeed looking increasingly attractive to some Americans as a model for Nasa. Although a dozen European nations are involved, Horizon 2000 is less bureaucratic than Nasa's big-is-best space science programme, and it is more open to outside participation. Another great advantage is that Esa projects, once approved, have far more stability of funding than similar Nasa missions, which suffer frequently in Washington's annual budget battles.

If Observer remains lost in space, the lesson will not be to stop putting \$1bn into a single interplanetary basket. Indeed the likely scientific dividends would justify sending an international fleet of spacecraft to observe all the planets in our solar system. But they need not be grandiose Nasa-style craft.

As the UK's fruit-picking season gets under way, the pretty apple orchards of Kent and Sussex are teaming with what the Inland Revenue calls the "ghosts" and "moonlighters" who make up Britain's blooming hidden economy.

These phantom employees, for whom the Revenue has no records, work not just in agriculture, but as waiters, cleaners, salesmen, minicab drivers and decorators. They have one thing in common: not a penny of their earnings finds its way to the exchequer. Their combined efforts make up the UK's informal or hidden economy - legitimate economic activity that is not declared for tax.

For a government that is looking at all areas of public spending to find possible cuts or extra revenue, the informal sector would appear to provide rich pickings. Mr. Peter Lilley, social security secretary, has raised his cabinet profile with a summer campaign aimed at saving £1bn by stopping the "selfish crimes" of social security fraudsters. Stepping up efforts to crack down on tax evasion would seem the logical corollary.

But the absence of accurate figures on the size of the black economy - by definition the transactions involved are not declared - makes it impossible for the government to judge the tax losses involved. Moreover, the sums involved in each case of tax evasion are usually petty. And so, although it would not want to give the impression that it is lax in combating tax evasion, the Revenue sometimes turns a blind eye, focusing on those areas where the returns are potentially greater.

"There comes a point where it is not worth our while to chase evaders," said an Inland Revenue spokesman. "We don't go for totally stupid amounts of money. If somebody makes a £50 profit out of renting their drive to people with cars during the Wimbledon championship, we are not interested."

The Revenue cannot afford to be too complacent, however, because the number of people making up the hidden economy has almost certainly grown in the past few years.

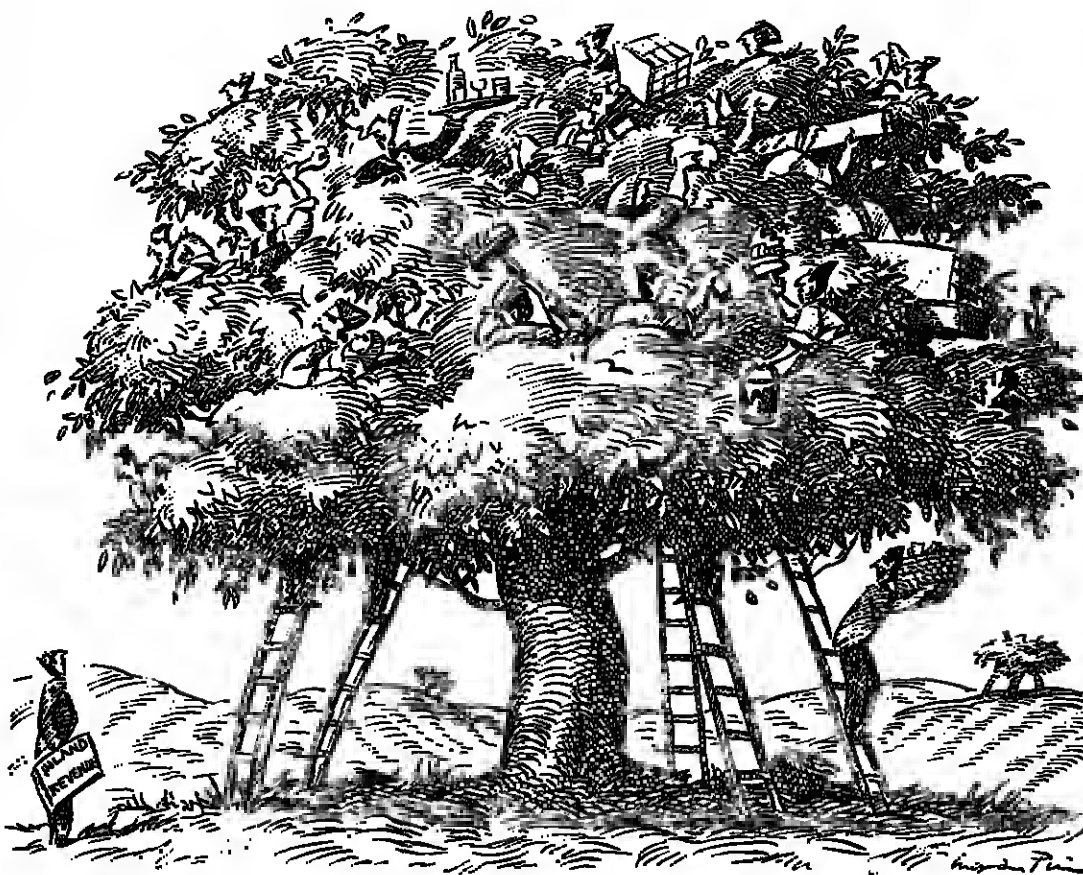
Several factors might explain an expansion: ● An unemployment rate of 10.4 per cent which has forced people to be more enterprising in the ways that they earn money.

● "There are clearly people who cannot get jobs in the formal economy but who are interested in supplementing what they can get through social security," says Mr. Stephen Smith at the Institute for Fiscal Studies, in the last financial year. Department of Employment inspectors carried out more than 260,000 investigations into people who were claiming unemployment benefit while also working.

● The pressures on companies during a recession to collude with employees and encourage them to sign on as unemployed while paying a low wage to top-up state bene-

The UK's blooming informal economy poses a taxing dilemma for the government, says Emma Tucker

The temptations of forbidden fruit



fits. The Revenue believes such behaviour is more common among smaller companies. "Some companies might find it easier to survive by slipping over the boundary of legitimacy," says Mr. Madsen Pirie, president of the Adam Smith Institute, the free market think tank. He adds: "During a recession you would expect the percentage of informal activity to increase as a proportion of the total as some marginal legitimate businesses go by the board."

● Changes to the structure of the labour market, including a move towards more part-time, low-wage, service sector jobs. More flexible working practices mean it is easier for employers to take on workers on an informal basis. Caterers, for instance, could be paid in cash, but employing a car production-line worker in a large factory would entail an employer filling in official paperwork.

In spite of these factors, however, tax compliance remains relatively high in the UK, compared with

other European countries such as Italy and Greece. The Revenue says the widespread use of the Pay As You Earn system, which is administered by companies on behalf of the Revenue, makes it difficult for most people to influence their tax bill. Out of 24.5m taxpayers in 1992-93, about 21m were on PAYE. Economists and tax collectors say the simplification of the tax system and the reduction of tax rates over the past 10 years may have made it harder and less worthwhile to evade tax.

At the same time, while the number of people involved in the hidden economy has probably grown, the value of the sector has been constrained as much by the recession as legitimate activity. "There may be more people offering to larmas drives, but there will be fewer people accepting," says a Central Statistical Office statistician.

Estimates of the size of the informal economy must take account of this confusing picture. Some European countries make explicit adjustments to their national accounts to

reflect the value of informal activities. In Italy, for example, the official estimate of the informal economy is about 16 per cent of GDP.

In the UK, the only indicator the CSO can offer is its so-called "evolution" adjustment, the difference between GDP measured by expenditure and GDP measured by income and used to balance the national accounts. But the CSO does not pretend that it gives an accurate picture of the size of the hidden economy. "We have enough trouble trying to get the formal structures of the economy to add up, without having to worry about the bazy parts," a spokesman said.

Currently, the "evolution adjustment" is equivalent to about 14 per cent of total GDP, amounting to some £7.4bn in 1992. Government statisticians consider that figure an understatement of the extent of informal activity.

Estimates by independent economists are probably more accurate but are still open to doubt. Mr. Smith, of the IRS, puts the value of

the black economy at between 3 per cent and 5 per cent of GDP, based on research into consumer spending in areas where such activity is prevalent, for instance painting, decorating, cleaning and gardening.

He says that even if as much as half of all consumer spending on such services goes into the pockets of those failing to pay tax, the size of the hidden economy would amount to no more than 5 per cent of national output.

The Revenue, however, thinks that figure is too low. It attributes a value of between 6.8 per cent of GDP to the black economy, or up to about £50bn. "This is the best estimate that we have been able to come up with," said a spokeswoman. "It is a wishy-washy guessimate."

If the revenue's figures are broadly correct, it is recouping only a fraction of the sums lost to the hidden economy. The special investigations unit of the Inland Revenue responsible for targeting the "ghosts" and "moonlighters" that make up the informal sector collected £85.7m in 1992-93 compared with £71.3m in 1990-91.

In comparison £5bn, equivalent to between 2p and 3p on the basic rate of income tax, was collected in 1991-92 from three other areas of the revenue's efforts to ensure compliance with tax rules: investigations into business accounts, wrong declarations in personal tax returns and the enforcement of PAYE requirements. Much of that would have been the result of mistakes or misunderstandings as well as some deliberate under-declarations.

Should the government be doing more? There is a case for making an example of some defrauders on the grounds that tax evasion is a crime and that all who are liable for tax should be treated equally. But there is also an argument that the Revenue need not be more aggressive, because the returns would be tiny in proportion to the time expended.

Many people failing to disclose their full income would still not be liable to tax if their earnings fall below personal allowances - £3,445 for a single person. At the same time, there are probably few people operating in the hidden economy who are earning substantial amounts each year - and so would be liable for significant sums of tax.

Another reason for the Revenue to hold off pursuing tax evaders is that a bustling informal sector could be a sign of a healthy, enterprising economy. Certainly, ministers are more vociferous about the need to tackle clearer cases of social security fraud than in clamping down on tax evasion in the hidden economy.

For this year's harvest anyway, it would appear that the "ghos" carting apples, pears and plums around farms in south-east England are safe from the probes of the tax inspectors. They will probably continue to be until the money they earn amounts to the sort of sums in which the Revenue is interested.

Rich pickings from the public

Richard Donkin on the role of Revenue investigators

rate cases of suspected evasion in that tax category every year.

"Many of our inquiries arise from telephone calls from informants and anonymous letters," says Beverly Stainer, a member of the compliance unit. Her job is to develop and follow up leads by making house inquiries.

She also looks at specific occupations. One that tends to attract scrutiny is taxi operations. Lists of licence holders are obtained from the local authority by the unit and names are checked against lists of operators provided by local taxi companies.

The Revenue officers use various profit and turnover statistics to check the purported income of businesses, from public houses to taxis and cleaners. These are collated on a district basis and help the officers

decide whether tax might have been unpaid.

"A taxi driver, for example, will always claim back his fuel costs, and we can compare those against his takings in his accounts," says Winship. This makes it risky for drivers to carry passengers without using their meters, and then claim back the cost of the fuel used on the journeys.

Licensed traders can also be a fruitful area for the compliance officers, according to the team. Market stall holders and food-hawkers are regularly checked.

Moreover, the team monitors the classified advertisements of local newspapers, which might feature a rental property or advertise the services of home entertainers, such as a magician or clown for children's parties.

"We can then check the name in the advertisement against our data base which lists the names and addresses of each of the 24.5m people in the UK who pay tax. If the name does not appear, the investigation begins," says Stainer.

Sometimes individuals are referred to the office by the police. One referral involved a man prosecuted for drug trafficking and found not guilty. He told police that the £20,000 in Scottish £20 notes they found stored under his bed had been legitimately earned.

When the man walked free from court, police made sure his earnings were notified to the tax office. "We accepted his story and came to an arrangement whereby the £20,000 was paid as tax," says Winship.

In another case, a man who had

never paid a penny of tax found he was suffering from a terminal illness and came voluntarily to the office. His life-savings of £60,000 were tied up in the value of his house. A tax assessment was arrived at to pay over the whole amount and both parties parted amicably.

The investigators are not always successful, however. They discovered one host of a manufacturing company who wanted to spend £15,000 on new machinery. His accountants told him he could not afford it but he told them he had some cash tucked away that the tax man did not know about. The man was warned by his accountants that the purchase would be queried by the inspectors.

Winship says: "When we asked him how he came by the money he said he found it in a paper bag on the bus. As proof he produced a receipt from the police station where he had turned in the package and from where he retrieved it when it was unclaimed. We believed him and moved on."

OBSERVER



"Mr Jackson would like to deny he's bad"

outgoing chief executive? When Courtaulds pulled the plug on thirty-something society courtesier Arabella Pollen's business in May - after backing it for three years - Taylor's image took a rare knock and the British design world was plunged into deep gloom.

Now it is the turn of one of the very few other youngish British designers, 32-year-old Tomasz Starzewski, who has weathered the recession to see Attallah's luxury goods group buy up a controlling share.

Actually, the well-connected Pollen, whose father was the former head of Sotheby's in the US, also came to the attention of the ever

chivalrous publisher when she started over a decade ago.

But they parted company and his eye has turned to Starzewski, a first generation Polish immigrant who took his first step on the ladder from above a Fulham fish and chip shop in which he sewed and slept. But then a hard-nosed businessman like Attallah is no such.

Fit for action

Watch out David Lloyd, the fading tennis star who has built a £100m leisure centre business: the Beckwith boys are back in business.

Old Harrovians Peter and John Beckwith, who made an estimated £80m by selling their property empire to the Swedes at the top of the market, have decided to reinvest some of their fortune in leisure.

They have bought back the upmarket Riverside Racquet Centre (annual fee over £1,000 and a waiting list of six months) plus a couple of health clubs in the City from the Swedish owners to whom they sold them. They plan to develop a large leisure group to take advantage of the upturn in the economy.

No word on the price, but the business is thought to be making £1.2m a year and seems amazingly recession-proof. Indeed, chief executive David Haslam, who does the talking for the Beckwiths, says one of his members had his house

repossessed but refused to give up his Riverside membership. Just the sort of tale one might expect from a property developer.

Ritz blitz

A word of warning to Simon Stevens, who has just departed Invesco for the calmer waters of Carnegie International, London arm of the Swedish brokerage operation: decline any invitations from group chief executive Lars Bertmar for breakfast at the Ritz.

Back in November 1991, Carnegie International's senior management troika had been looking forward to talking business, if not money, with their new big boss over the scrambled eggs. Imagine their surprise when, instead of Bertmar, in walked his lawyer to serve them with dismissal notices. Bertmar, who said the idea was to indicate that he was "hands on", has been in charge of London ever since. Obviously, he now feels that in Stevens he has found an executive who will allow him to take his "hands off" London, for the moment at least.

New twist

American tourist overheard in a London hotel bar: "Perrier and water, please." Barmar: "Would you like lime in it?"

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FINANCIAL TIMES

Thursday August 26 1993

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WORLDWIDE EXPERTISE AND RESOURCES

Finance formula for £250m regional aircraft venture near completion

Taiwan and BAe close to deal

By Daniel Green in Taipei

TAIWANESE OFFICIALS, and British Aerospace appeared last night on the verge of saving the proposed £250m (\$372m) joint venture to build regional jet aircraft which is central to BAe's efforts to improve profitability.

An agreement on a new financial structure for the venture could be signed as early as today. The project, called Avro, stalled last month after some Taiwanese banks lending money became worried about whether or not it would be profitable. Avro will produce the RJ series of regional jets which currently loses money for BAe.

Mr John Cahill, BAe's chairman, and a team of four senior executives have been in Taiwan

since Monday trying to reassure Taiwanese bankers and politicians and negotiate a formula for the deal.

Few details of a new financial structure were available last night although it will almost certainly not include government guarantees for the loans, said Mr Yang Shih-Chien, vice-minister of economic affairs, who has been closely involved in the talks. The solution could involve spreading risks to Taiwanese banks based abroad.

It is also likely to include measures involving lease finance for aircraft built by Avro. The cautious approach of Taiwanese banks has been prompted partly by their unfamiliarity with western leasing techniques.

At least one other of the prob-

lems blocking a final agreement also appears to have been resolved. Taiwan, has backed down from insisting on guarantees that a new generation of regional jet aircraft would be developed by Avro.

Instead, a decision to proceed will be taken only after the completion of market research aimed at assessing the number and timing of potential sales, the design likely to sell well and economics of establishing production lines.

Some problems would remain however. Taiwanese bankers and politicians want stronger guarantees that BAe would transfer some technology, design and manufacturing skills to Taiwan. The Ministry of Economic Affairs has made it clear to potential foreign partners that

Taiwan wants to progress beyond the manufacture of high technology components to their integration into finished products.

Mr P.K. Chiang, economics minister has said that resolving the remaining issues would still "require some time".

The original deal to establish the joint venture was signed in January by Mr Cahill and Mr Denny Ko, the president of Taiwan Aerospace Corporation.

Initial markets for both new and existing aircraft types would be Taiwan's domestic airlines, with which TAC is "well connected", said the TAC senior vice-president. Other potential markets are the fast-growing south-east Asia and China.

Taiwan Link, Page 2

German rate cut hopes

Continued from Page 1

bank, has made clear that both money supply and inflation are central to interest rate decisions.

According to yesterday's provisional figures, the annual rate of inflation was down from 4.1 per cent to 4 per cent in North Rhine-Westphalia, from 4.8 per cent to 4.2 per cent in Hesse, and from 4.2 per cent to 4 per cent in Bavaria. Prices in the state of Baden-Württemberg, however, rose from 4.2 per cent to 4.3 per cent. The state month-on-month figures were barely changed.

Shares rose on the Frankfurt market after news of the drop in inflation in Bavaria, but markets were closed by the time the other states had reported their less optimistic figures.

Officials in Germany yesterday warned that the apparently sharp fall in Hesse's annualised rate of inflation was because of sharp rent increases in July 1993 dropping out of the calculations.

Economists said the degree to which the Bundesbank council members believed a turning point for inflation had been reached would be one key to a decision on interest rates at its meeting today.

UN aid convoy gets through to lift the siege of Mostar

By Our Foreign Staff

THE United Nations appeared to have finally broken through the siege of Mostar yesterday, after an aid convoy was reported to have reached the city.

The UN High Commissioner for Refugees said that Croat forces had allowed 27 trucks to enter the city, where some 55,000 Muslims have been trapped for more than two months with little food.

UN officials had earlier announced that the aid mission had been called off for the day, after hundreds of Croat protesters blocked its path, demanding further concessions in exchange for letting the convoys through to their Muslim enemies.

The Croat forces, who have recently suffered a series of military defeats by the Muslim-led Bosnian army in central Bosnia, had demanded that aid convoys be stepped up to besieged Croat populations in the region.

However, late yesterday evening Ms Alekha Lisinski, UNHCR spokeswoman in Zagreb, said that the 27 aid trucks had finally arrived in the Croat-held sections

of the city. Nineteen trucks, carrying emergency food and medical aid, were expected to cross into the eastern, Muslim-held part of the city later.

Meanwhile, amid signs that the continued tension on the ground could undermine the latest peace proposals, the Dutch and German foreign ministers voiced doubts about the plan for the ethnic partition of Bosnia.

The warnings came after Lord Owen and Mr Thorvald Stoltenberg, the international mediators, held separate meetings with Mr Peter Koopmans, the Dutch foreign minister, and Mr Klaus Kinkel, his German counterpart.

After 90 minutes of talks, the Dutch foreign minister indicated that the Netherlands remained concerned about the feasibility of implementing the peace plan, and the practicality of putting Mostar under EC control.

It is worried that the Muslims may be coming under too much pressure to accept the plan, threatening its ultimate effectiveness in practice.

Mr Kinkel echoed the concern, indicating that he was not com-

pletely satisfied with the latest proposals to divide Bosnia-Herzegovina into three ethnic-based regions. "We will wait and see what decision Bosnia's three parties reach," The European Community is expected to delay any formal decision on whether to accept the peace plan's proposal that it take over administration of Mostar until all three parties to the Bosnian conflict make up their minds on the plan as a whole.

"I don't think the 12 will want to be pinned down until they see what the (Bosnian) parties do," one senior EC diplomat said. But there is cautious support in principle for the idea.

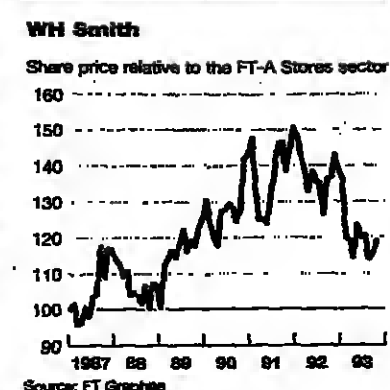
Beyond the task of choosing an administrator, EC diplomats emphasise questions like the number of support personnel required, how Mostar would be policed, and where funding would come from to replenish the EC's exhausted aid budget.

The Community appears concerned to avoid establishing a link between accepting administration of Mostar and committing extra troops to Bosnia.

THE LEX COLUMN

Caradon crows

FT-SE Index: 3079.2 (+29.9)



Redland and RMC whose ratings are both over 30. Its more limited recovery prospects mean, though, that at 336p the shares are hardly cheap.

RTZ is left with a £165m exceptional loss and the task of disposing of the rump of its Pillar division. But it has also the satisfaction of seeing gearing fall to 14 per cent. That will allow it to prospect for new investments in mining, its hand would be even freer if the government goes ahead with the introduction of foreign income dividends. RTZ would then no longer need to worry about maintaining enough UK income to prevent a build-up of unrelieved ACT.

News Corporation

The plan to beam Bart Simpson into Bangkok via satellite has, if nothing else, restored News Corporation's forward momentum. Before the acquisition of a controlling interest in Star TV last month, its shares were becalmed. They have since risen by 20 per cent, adding another leg to the bull run stretching back to 1991. Since Star is unlikely to contribute much by way of earnings in the near-term, that appreciation might seem curious. After two years restoring order to News Corp's balance sheet, though, the deal has been taken as a signal that Mr Rupert Murdoch is feeling expansive.

There is no shortage of recovery potential within the existing empire. Having driven margins higher in the depths of recession, UK newspapers should be well geared to any cyclical upturn in advertising. The network of US television stations continues to grow, while Fox films must surely

come up with a blockbuster movie before too long. Even the investments in BSkyB and Ansett are starting to look less of a drag on earnings. But there is scarcely a stock market where cyclical profits recovery is not now taken for granted. Investors are now looking to News Corp for more.

So long as equity and bond markets are receptive, Mr Murdoch will not have to rely on the banks to fulfil his ambitions. Although interest cover is comfortable and no large debt repayments fall due until the second half of the decade, that will doubtless be a relief. The Star acquisition was paid for with equity and cash raised from an issue of convertible stock. Having driven the shares higher in anticipation of the next move, the market should expect more of the same.

W.H. Smith

W.H. Smith's careful exclusion of Do It All from the breakdown of its figures almost implies that it does not own the business. Perhaps Smith wishes it didn't. The red ink at Do It All flowed as freely as expected, yet Smith's timid roll out of its new trading format and covers over its impact hardly add to confidence. Nor is it a persuasive excuse that some stores are badly located. If the company cannot find another 50 of its 220 sites which would benefit from treatment, the portfolio is a rag bag indeed.

In truth, Smith's strategy for Do It All is a mixture of shunting the very worst stores, spending the minimum on the few certain to benefit and whistling to keep its spirits up. How long partner Boots will be prepared to indulge this is an interesting question. Smith is trying to muddle through, while hoping for a strong housing upturn, because the alternatives of closing Do It All or heavy investment are simply too costly. Boots has the cash flow and balance sheet to take the strain. Smith, by contrast, would have seen a rise in borrowings this year had not frantically strong sales in the last month distorted the figures.

It is not as though prospects are particularly rosy elsewhere. Getting Waterstone's to an acceptable return on capital will be a protracted process. Virgin Megastores are proving that Our Price sites are simply too small, and the company's improbably low tax charge cannot last forever. Since the core businesses will also struggle to sparkle, the company must long for the days when it had surplus profits to squander on its adventures.

US blacklists China and Pakistan

By Nancy Dunne in Washington

THE US yesterday imposed economic sanctions on China and Pakistan, claiming that they dealt in sensitive missile technology in violation of international arms controls.

Mr Mike McCurry, the State Department spokesman, said the US would prohibit sales of sensitive technology - that with both military and civilian uses, as well as munitions - for two years to both countries.

The decision is expected to cost US companies \$400m to \$500m in lost sales.

The sanctions are expected to have little impact on Pakistan, which is not a big consumer of

such US products. Asked if American companies would be protected against their losses, Mr McCurry said: "No. That's a significant cost that we pay but it reflects the seriousness with which we look at the issue of nuclear proliferation."

Yesterday's announcement followed months of disagreement among US intelligence agencies about whether China was shipping components of the M-11 missile to Pakistan in violation of the International Missile Technology Control Regime.

This week the agencies said they had reached a consensus that the sales had taken place.

M-11 missiles can be equipped with nuclear warheads and have

a range of nearly 300 miles. Under US law, the Clinton Administration is required to impose sanctions for breaches of the missile control regime, severity depending on the gravity of the violation.

Retaliation might have been waived if considered in the national interest. President Bill Clinton has vowed to take a strong line regarding China and weapons proliferation.

By choosing not to retaliate against Chinese exports to the US, he has probably contained the dispute, which might otherwise have escalated to include a Chinese embargo against US agriculture and other US low technol-

ogy products. China has consistently denied making illicit sales. Pakistan yesterday also denied that its purchases had broken US rules.

A foreign ministry spokesman said Pakistan had acquired only "some short-range missiles" from China after being attacked by Soviet-made Scud missiles from Afghanistan in the late 1980s.

"Concern for missile proliferation does not arise from Pakistan but from India's extensive missile development programme, including Prithvi and Agni missile systems," the spokesman said.

He said Pakistan would respond positively to a US proposal for talks with India to prevent a missile race.

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FT WORLD WEATHER

Europe today
A frontal zone separating warm air in south-east Europe from cooler air in the north and west will trigger thunder showers in north-west Spain and Portugal, along the Cote d'Azur, north of the Alps and over the Balkans. However southern Italy, Greece and Turkey will stay sunny and warm. North of the cold front, it will be rather cool and cloudy with showers in Scandinavia and the Baltic states.
A warm front associated with a complex low pressure area near Iceland will trigger light rain or drizzle over Scotland and northern Ireland. England and southern Ireland will be mainly dry with a few sunny spells in the afternoon.

Five-day forecast
A frontal zone will produce widespread thunder in Alpine regions, the Balkans and the Ukraine. Greece and southern Turkey will remain warm and sunny. High pressure over the Atlantic will bring more settled weather to the British Isles and the mainland of western Europe. Most of Scandinavia and the Baltic states will continue unsettled and cool.

TODAY'S TEMPERATURES

Maximum	Belmont	16	Cardiff	fair	17	Frankfurt	cloudy	20	Malta	sun	37	Rio	fair	23
Minimum	Cebu	29	Chicago	fair	31	Geneva	fair	20	Manila	sun	37	Rome	sun	23
	Abu Dhabi	sun	38	Colonia	cloudy	18	Gibraltar	fair	27	Medan	sun	31	S. Francisco	sun
	Agira	showers	29	Dakar	fair	31	Hamburg	fair	17	Mexico City	showers	21	Seoul	thund
	Algiers	fair	33	Dallas	sun	37	Heilbronn	cloudy	14	Miami	thund	31	Singapore	showers
	Amsterdam	fair	18	Dubai	sun	41	Honolulu	sun	31	Montreal	sun	28	Stockholm	showers
	Athens	fair	22	Dubrovnik	sun	20	Istanbul	cloudy	16	Murich	fair	18	Taipei	sun
	B. Aires	fair	28	Edinburgh	cloudy	18	Karachi	fair	33	Nairobi	sun	25	Tel Aviv	sun
	Bham	fair	17	Faro	fair	23	Kuwait	sun	45	Naples	sun	30	Tokyo	fair
	Bangkok	thund	32	Geneva	cloudy	19	L. Angeles	sun	25	Nassau	showers	33	Toronto	sun
	Barcelona	fair	26	London	cloudy	18	Las Palmas	sun	25	New York	thund	34	Tunis	sun
	Beijing	thund	29	Luxembourg	fair	18	Lima	sun	20	Nice	thund	26	Vancouver	fair
				Madrid	cloudy	22	Osaka	sun	35	Vienna	cloudy	26	Warsaw	showers
				Managua	cloudy	19	Paris	cloudy	20	Winnipeg	showers	18	Zurich	sun
				Manila	sun	31	Perth	cloudy	17	Wilmington	showers	12		
				Mayaguez	fair	23	Prague	showers	26	Winnipeg	sun	25		
							Reykjavik	fair	13	Zurich	sun	19		

Forecasts by Meteo Consult of the Netherlands

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Strong yen forces Toyota Motor profits down 24%

By Michio Nakamoto in Tokyo

TOYOTA MOTOR, Japan's largest carmaker, yesterday announced a 24 per cent decline in pre-tax profits for the year ended June, and said the yen's appreciation could threaten its policy of lifetime employment.

In its third consecutive year of profit decline, Toyota pre-tax profits fell to ¥266.4bn (¥2.76bn) and operating profits to ¥105.5bn from ¥124.9bn.

The results were the lowest since the Toyota group merged its manufacturing and sales operations into a single company in 1982. Sales were ¥9,031bn, up from a previous ¥8,940bn.

Toyota blamed the downturn on weak domestic demand as

well as currency strength. Earlier this week Honda reported a 42 per cent fall in profits for its first quarter.

Toyota warned that at an exchange rate of ¥110 to the dollar it would be hard-pressed to make any profit at all. If the exchange rate remained closer to ¥105 to the dollar, Toyota would find itself in a very difficult situation, the company said.

It added that the outlook was not significantly better. While the government's economic stimulus package was expected to help lift consumer demand in Japan, fierce competition and the uncertainty of recovery in world markets kept a cloud over future prospects, the company said.

In the current year to June

1994, Toyota is forecasting a 30 per cent decline in pre-tax profits to ¥200bn and a 29 per cent fall in net income to ¥110bn on sales 3.7 per cent down at ¥8,700bn. These projections are based on an average exchange rate of ¥110 to the dollar, the company said.

Unit sales in Japan suffered a drop of 7.8 per cent to 2.16m units. Exports in the year rose 1.6 per cent to 1.72m units, largely on increased exports to Asia. Production of passenger cars and trucks in Japan was down by 4.4 per cent while production overseas increased 30 per cent.

On a consolidated basis, Toyota sales were ¥10,210bn and pre-tax profits were ¥222.2bn, down 24.6 per cent.

Earnings hit AS\$67.2m at John Fairfax

By Bruce Jacques in Sydney

JOHN FAIRFAX, the Australian newspaper group, reports a net profit for the year to June of AS\$67.2m, (US\$45.4m), its first as a stock market listed entity.

The company, which has operated in its current form since coming out of receivership in late 1991, lifted revenue by 5.6 per cent to AS\$770.1m and has declared a maiden dividend of 4.5 cents a share.

Net earnings, as stated under Australian stock exchange rules, more than quadrupled from AS\$15.4m, but the directors warn the comparison is not meaningful because of the high level of debt carried in the previous period.

That debt was restructured when the present company was created, substantially reducing interest expense. The directors say earnings before interest and tax - up 30.4 per cent to AS\$188.0m - make a better comparison.

They say the revenue increase was achieved despite low advertising volumes for the company's major newspapers. The higher revenue was derived from a AS\$28.1m advertising increase and a AS\$14.6m circulation rise.

The company has entered the 1993-94 financial year with classified and display advertising volumes growing.

"This bodes well for the current year," say directors.

Management has focused on improvements in efficiency to counter unfavourable trading conditions. This is reflected in a rise in operating costs, up 0.5 per cent to AS\$580.6m.

"In particular, the company has addressed its major costs, namely wages and newspaper. Since June 1992, through early retirements and redundancies, the equivalent full-time number of employees has been reduced by around 5 per cent."

Fairfax, in which Mr Conrad Black's Hollinger group has a 25 per cent stake, publishes the Sydney Morning Herald, Melbourne's The Age newspaper and the national Australian Financial Review.

Swedish paper groups stage rally

By Hugh Carnegie in Stockholm

STORA and MoDo, two of Sweden's top three forest products companies, yesterday reported improved first-half results despite what they described as persistent weak demand and prices in their European markets.

Stora, the leading pulp and paper group in Europe, returned to the black, showing a profit after financial items of SKr50m (S\$3.1m) compared with a loss in the same 1992 period of SKr163m. Sales totalled SKr253.3bn, compared with SKr243.3bn.

MoDo cut its loss after financial items to SKr353m from

SKr518m last year, on sales of SKr3.4bn (SKr2.2bn), and announced plans for a one-for-two rights issue in the autumn to raise about SKr1.7bn. This, it said, would help the company to take advantage of any upturn in the industry.

The turnaround at Stora came despite a sharp fall in operating income to SKr440m from SKr707m. It was attributed to a sharp cut in net financial expenses, to SKr410m from SKr870m, caused by falling interest rates and a rise in contributions from the group's financial services unit.

Stora said it had pushed ahead with a heavy rationalisation programme in the first half, achieving cost reductions

of SKr1.3bn as employee numbers fell to 34,900 compared with 38,800 a year ago. In addition, there were savings of SKr700m from divestments and volume declines.

But it said the effects of these were disguised in the half-year results by exchange rate losses of SKr2.8bn, incurred when the costs of foreign units were translated into the weaker Swedish krona.

Mr Lars-Ake Heijesson, Stora president, said: "We do not expect any substantial changes in the market that will effect our result for all of 1993. What we have achieved so far was because of internal actions and lower interest rates."

Mr Bernd Löf, head of MoDo, agreed that the industry continued to suffer from weak demand, low prices and overcapacity in western Europe. He warned that MoDo, which pushed up operating profits in the first half to SKr348m from SKr99m, would incur a further loss in the second half of the year.

But he added that there were signs that the worst of the recession was over. The planned rights issue, to be priced at SKr120 per share, would give MoDo the financial strength to take advantage of an upturn. The issue will apply to existing holders of ordinary shares and convertible participating notes.

Reader's Digest marks time

By Frank McGurty in New York

READER'S Digest Association, the New York-based publisher of books, magazines and other products, yesterday disappointed investors by reporting only a 2 per cent gain in underlying net income for the fourth quarter.

The result reflected the continued weakness of its US books and home entertainment businesses. And Wall Street reacted by marking down the company's shares by \$1½ to \$39 in morning trading on the New York Stock Exchange.

Net income for the quarter ended June edged higher to

\$26.8m, or 23 cents a share, on revenues of \$444.4m. The result compares with net income of \$26.2m, or 22 cents, and \$605.4m in revenues in the year-earlier quarter.

When restated to reflect changes in accounting for post retirement benefit, net income for the 1993 period was \$25.8m, or 22 cents.

International revenues in the 1993 period showed a solid 11 per cent increase, and would have been 17 per cent higher without adverse exchange rate movements. However, US revenues were unchanged from the year-earlier period.

Mr George Grune, chairman,

said the company had made some progress in restoring the books and home entertainment division to its historic level of growth, but warned that it may require 12 to 24 months to complete the process.

For the full year, the company posted a 12 per cent gain in underlying net income.

A strong performance in overseas markets also was largely responsible for the yearly advance.

Revenues in the US increased only slightly, with the domestic books and home entertainment segment turning in weaker sales on the year.

Bell Atlantic wins TV ruling

By Martin Dickson in New York

BELL ATLANTIC, the large east coast telecommunications company, won an important legal victory which could make it the first US local telephone company offering cable television in its telephone service area.

It said a US district court in Alexandria, Virginia, had declared unconstitutional a provision in the 1994 Cable Act

blocking telephone companies from providing cable programming in areas where they provide a telephone service.

The case, which seems likely to go to appeal, sets a legal precedent and may prompt other local telephone companies to mount similar cases.

Bell Atlantic, one of the seven regional "Baby Bell" telephone companies spun off in the mid-1980s from American Telephone & Telegraph, filed suit last December in

Alexandria against the US government agencies responsible for overseeing the 1984 Act.

It wants initially to offer a cable television service to 60,000 customers in Alexandria, just across the Potomac River from Washington DC.

The cable industry seems certain to appeal the ruling. The federal government could also object, although the executive branch has generally favoured breaking down regulatory barriers.

Cathay Pacific down by 46%

By Simon Davies in Hong Kong

CATHAY PACIFIC Airways, Swire Pacific's Hong Kong-based international airline, yesterday revealed first-half 1993 earnings of HK\$681m (US\$88m), down 46 per cent from 1992's HK\$1.28bn.

The results were significantly below analysts' expectations, with the airline suffering from the weak performance of its routes to recession-hit Japan and Europe.

Cathay Pacific was also seriously hit by the cabin attendants' strike during January, which Mr Peter Sutch, chairman, said had caused an esti-

mated HK\$240m reduction in profits.

Revenues of HK\$1.1bn were marginally up on the previous year. The interim dividend is being held at 10.5 cents a share.

Mr Sutch said: "Although the full year's results are expected to be materially lower than 1992, we expect that the second-half year's results will not show a percentage drop as great as indicated for the first half."

Asia's airlines had previously shown themselves to be relatively recession-proof, but with rapidly-increasing capacity and internal competition, at a time of weak global markets,

earnings are finally being hit.

Mr Sutch said: "The main cause of the drop in profits was the effect of the continuing recession in the company's major markets, particularly Japan and Europe."

Cathay has suffered the additional disadvantage of Hong Kong's high inflation: it was the airlines' push to control operating costs, that ultimately resulted in the flight attendants' strike.

Passengers carried during the first half of the year totalled 4.1m, a rise of 3 per cent. However, the airline's load factor fell 3 per cent, as a result of increased capacity from two new aircraft.

Avesta Sheffield back in black in second quarter

By Christopher Brown-Humes

AVESTA Sheffield, the Anglo-Swedish stainless steel producer, yesterday disclosed a second-quarter profit of SKr9m (S\$1.2m), a strong turnaround on the SKr53m loss for the first three months.

The group attributed the better performance to improved productivity, rather than to a market upturn. It did not provide comparative figures as it was only formed through the merger of Avesta and British Steel Stainless last November.

First-half sales amounted to SKr7.14bn, against SKr11.6bn

for all 1992. Operating profit after depreciation was SKr142m, compared with a SKr180m loss for all 1992.

Lower financial expenses left the group with a loss after financial items of SKr44m after including a negative SKr49m adjustment for changes in inventory values.

The group said its strong position in the recovering UK and North American markets should offset weak demand in most of Europe in the second half.

It expects to show a considerable improvement on last year's SKr54m loss.

Philip Morris pegs dividend

By Martin Dickson

PHILIP MORRIS, the food and tobacco group which set off a price war in the US cigarette industry last April by slashing the price of its Marlboro brand, yesterday disappointed Wall Street by not increasing its quarterly dividend.

It declared it would pay its existing 65 cents-a-share dividend to investors on October 12, slashing analysts' hopes of an increase of up to 7 or 8 per cent.

Philip Morris shares fell \$3 on the news, to stand at \$48½ in lunchtime trading on the New York Stock Exchange.

Steel division lifts Sandvik in first half

By Christopher Brown-Humes in Stockholm

SANDVIK, the Swedish engineering group, boosted first-half profits by 10 per cent to SKr35m (S\$3.5m) as a sharp improvement at its steel division offset the impact of continued weak demand.

It said it remained on course to increase 1993 profits above last year's SKr1.53bn.

The stronger Swedish krona helped the group lift sales by 25 per cent to SKr10.7bn, while orders rose 28 per cent to SKr11.3bn.

Excluding acquisitions and currency movements, sales were 4 per cent lower. Demand was "very weak" in Europe, particularly in Germany, and there was little evidence of recovery in Japan, the company said. However, it noted relatively strong growth in Australia and Asia and some growth in North America and most of Latin America.

The star performer was the steel division, where profits rose to SKr231m from SKr95m on a 24 per cent increase in revenues to SKr3.25bn. The weaker krona helped the group lift volumes.

The cemented carbide division lifted profits to SKr50m from SKr58m as sales swelled 34 per cent to SKr1.87bn. But the process systems division swung to a SKr24m loss from a SKr56m profit.

RHONE-POULENC S.A. Holders of Bearer and Registered International Depositary Receipts (IDRs)

Holders of Registered IDRs are given notice that their payment will be mailed to them on August 31, 1993.

Holders of Bearer IDRs are given notice that the Annual Payment will be paid from August 31, 1993 (Payable Date). The Annual Payment is French Francs 25.05 per IDR Share.

Holders of Bearer IDRs will be paid by Chase Manhattan Bank (Paying Agent) against presentation and surrender of Coupon No. 4 not less than 3 business days prior to the Payable Date. If surrender of Coupon No. 4 is less than 3 business days prior to the Payable Date, the Annual Payment will be made by the Paying Agent 3 business days after surrender.

All Holders of Bearer IDRs are required to submit the name and address of a bank in Paris and a French Franc account for payment, or an address for which payment should be sent by French Franc check.

Coupon No. 4 may be presented to:

The Chase Manhattan Bank N.A.
Woolgate House
Coleman Street
London, England EC2P 2HD

The Chase Manhattan Bank
63 rue du Rhone
CH-1204, Geneva
Switzerland

The Chase Manhattan Bank
Luxembourg S.A.
5 rue Pictoris
L-2338
Luxembourg

The Chase Manhattan Bank
N.A.
42 rue Cambon
75001 Paris
France

THE BANK OF NEW YORK,
AS DEPOSITARY

August 26, 1993

Notice to the Bondholders of
JAFCO
Japan Associated Finance Co., Ltd.
(the "Company")
U.S. \$200,000,000
4½ per cent, Convertible Bonds 1999
(the "Bonds")

NOTICE IS HEREBY GIVEN pursuant to Conditions 5.6(a) and 14 of the Terms and Conditions of the "Bonds" that the Company has determined to redeem on 30th September, 1993 the "Redemption Date" all outstanding Bonds at the price of 103 per cent of the principal amount of the Bonds together with interest accrued to the Redemption Date.

Set out below is the relevant information:

Applicable 20 consecutive trading days: From and including 23rd July, 1993 to and including 19th August, 1993 \$ 8,900

Conversion price in effect on 26th August, 1993:
The average of high and low sales prices of the Company's shares as reported by the Japan Securities Dealers Association on 19th August, 1993: ¥10,700

The rate of exchange applicable upon conversion:
Aggregate principal amount of the Bonds outstanding \$15,310,000

Conversion of \$15,310,000 of the Bonds into shares of the Company's shares as reported by the Japan Securities Dealers Association on 19th August, 1993: ¥120,700

We would like to call your attention that, pursuant to Condition 4.3(b), the Bonds cannot be converted after the close of business on 30th September, 1993.

Japan Associated Finance Co., Ltd.
By: THE SANWA BANK, LIMITED
London Branch

Dated: 26th August, 1993

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Table with 4 columns: Bond, Interest, Redemption Date, and Price. The table lists various bonds and their corresponding interest rates and redemption dates.

NOTICE OF REDEMPTION
To the Holders of
REPUBLIC OF CHILE
Floating Rate Bonds Due 1996
and
Floating Rate Bonds Due 1997
Redemption Date: September 27 1993

Notice is hereby given that the Republic of Chile (the "Issuer") has elected to redeem on September 27, 1993, the "Redemption Date", pursuant to the provisions of the Bond Subscription Agreement, dated as of January 23, 1991 (the "Bond Subscription Agreement"), among the Issuer, the financial institutions listed on the signature pages hereto, Chemical Bank (as successor by merger to Manufacturers Hanover Trust Company), as fiscal agent (the "Fiscal Agent"), and Chemical Investment Bank Ltd. (as successor by merger to Manufacturers Hanover Limited), as paying agent, (i) all of its outstanding Floating Rate Bonds Due 1996 (the "Series A Bonds") at a redemption price for each Series A Bond equal to the sum of (x) 100% of the outstanding principal amount of such Series A Bond on the Redemption Date and (y) accrued and unpaid interest from March 26, 1993 to the Redemption Date of \$0.18273 per \$250,000 outstanding principal amount of such Series A Bond (collectively, the "Series A Redemption Price"); and (ii) all of its outstanding Floating Rate Bonds Due 1997 (the "Series B Bonds"), and together with the Series A Bonds, the "Bonds" at a redemption price for each Series B Bond equal to the sum of (x) 100% of the outstanding principal amount of such Series B Bond on the Redemption Date and (y) accrued and unpaid interest from March 25, 1993 to the Redemption Date of \$0.21615 per \$250,000 outstanding principal amount of such Series B Bond (collectively, the "Series B Redemption Price"). The Series A Redemption Price and the Series B Redemption Price will become due and payable on the Redemption Date upon presentation and surrender of the Bonds (together with all unexpired interest and principal coupons appertaining thereto) to Chemical Investment Bank Ltd. or Kredietbank S.A. Luxembourg as paying agents with respect to the Bonds (collectively, the "Paying Agents"), at their respective addresses set forth in this Notice. Interest on the Bonds (and other amounts payable thereunder) shall cease to accrue on and after the Redemption Date.

Bonds, together with all unexpired interest and principal coupons appertaining thereto, must be surrendered to either Paying Agent listed below.

The method of delivery of the Bonds is at the option and risk of the holder of the Bonds, but if mail is used, registered mail with return receipt requested, properly insured, is recommended. Copies of this Notice of Redemption may be obtained from either Paying Agent listed on the attached schedule, or the Fiscal Agent at 270 Park Avenue, New York, New York 10017, U.S.A., Attention: Helena Lema.

REPUBLIC OF CHILE
CHEMICAL BANK
BY: CHEMICAL BANK, as Fiscal Agent
MEMBER OF THE SECURITIES AND
FUTURES AUTHORITY
Schedule of Paying Agents

Chemical Investment Bank Ltd.
The Arlebury
1-11 John Adam Street
London WC2N 6HT
England

Kredietbank S.A. Luxembourggoose
48, Boulevard Royal
L-2526 Luxembourg

The Republic of Panama
U.S. \$70,000,000
Floating Rate Serial Notes due 1990
For the period
26th August, 1993 to 28th February, 1994

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 7 per cent per annum, and that the interest accrued on the outstanding unpaid principal to 28th February, 1994 will be U.S. \$108.50.

The Industrial Bank of Japan, Limited
Agent Bank

US\$900,000,000
Floating Rate Subordinated Loan
Participation Certificates due 2000
Issued by Salomon Brothers Akiegesellschaft
for the purpose of financing a subordinated loan to
The Mitsubishi Bank, Limited

Notice is hereby given that for the three months period from 26th August 1993 to 26th November 1993 the Certificates will carry a Coupon Rate of 3.50% per annum.

Coupon payable on 26th November 1993 will amount to:
US\$ 894.44 per US\$1,000,000.00 Certificate and
US\$ 8,944.40 per US\$10,000,000.00 Certificate, respectively

Mitsubishi Bank (Europe) S.A.
An Agent Bank

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EUROPEENNE A
NEUTRONS RAPIDES
S.A. - NERSA
FRF 700,000,000
GUARANTEED FLOATING
RATE NOTES Due 1996

For the period
August 26, 1993 to
November 25, 1993,
the new rate has been fixed at
7.44821% p.a.

Next payment date:
November 25, 1993
Coupon n°: 18
Amount:
FRF 180.37 for the
denomination of
FRF 10,000,000

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INTERNATIONAL CAPITAL MARKETS

European sectors rally sharply on rate cut hopes

By Peter John in London and Patrick Harverson in New York

GROWING expectations that Germany will cut its key interest rate today helped all the main European government bond markets to rally sharply. Confidence in a move by the Bundesbank grew as a survey of 12 German economists showed that the majority expect the discount rate, which sets the floor for German inter-

GOVERNMENT BONDS

est rates, to fall by half a point to 6.5 per cent. This compares with a consensus in the US of a quarter point cut, dealers said.

Also, the latest German regional inflation data showed that price rises in western Germany were slowing down.

However, yesterday's Bundesbank repo was carried out at an unchanged 8.50 per cent rate and one economist said: "All things being equal, the Bundesbank has no more reason to cut this time than last time."

At the last council meeting

before the summer recess a discount rate reduction had been widely flagged, but only the Lombard rate, which sets the ceiling for lending, was altered. Another economist argued that the traditional refusal of the Bundesbank to bow to market pressures made it even less likely to ease by a half point following the German economists' forecast. On balance, the rate-cut logic would not go away and bond futures on Liffe gained 36 basis points to end at 97.52.

FRENCH government bonds surged ahead yesterday with the futures contract breaking through several support levels to record a gain of 86 basis points at 122.54.

The rally was led by the 140,000 contracts. The hullish tone was reinforced by a purchase of 10,000 call options, a bullish trade which gives the investor the right but not the obligation to buy at a fixed price and time.

Dealers said much of the rise was technical with stop-loss buying triggered at certain points and the "feel-good" effect of the market deterring any sellers.

liar this year have become illiquid and are trading at a large premium to par.

INTERNATIONAL BONDS

SG Warburg, said that BT's bonds should keep their liquidity because of the large size of the issue.

The bonds, which carry a coupon of 7.5 per cent, were priced to yield 18 basis points over the 5 per cent gilt due 2003. When they were freed to trade the spread tightened to 15 basis points. The all-in cost of the unwrapped deal to the issuer was 23 basis points over gilts.

Treasury officials at BT said the proceeds of the issue would be used for general corporate funding. BT, which repaid over

FT FIXED INTEREST INDICES

	Aug 24	Aug 23	Aug 20	Aug 19	Aug 18	Year Avg	High*	Low*
Govt/Inst BAO	101.63	101.51	101.08	101.77	102.67	97.26	106.36	93.29
Fixed Interest	122.96	123.97	123.93	124.27	124.51	103.34	124.54	106.61
Base 100: Government Securities 1/15/92= Fixed Interest 1826.								
For 1993: Government Securities high above completion: 121.40 (1/1/93), low 48.10 (3/1/75)								
* Fixed Interest High since completion: 124.14 (1/8/93)								
QLT EDGED AVERAGE								
Indices*	Aug 24	Aug 23	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15
QLT Edged Marginal	93.2	92.5	92.4	101.2	118.8			
5-day average	98.0	100.1	101.6	106.8	112.7			
* SE activity indices released 1987.								

CarnaudMetalbox sale Bold deal soothes anxious onlookers

hits half-year outcome

By Maggie Urry

INTERIM RESULTS from MB-Caradon were hit by the sale of £487m net of tax and expenses of its 25.3 per cent stake in CarnaudMetalbox in April and by competitive trading conditions in some of its markets.

However, translation of overseas profits at lower sterling exchange rates boosted pre-tax profits, which, excluding exceptional items, were 2 per cent lower at £58.5m. Operating profits, which ignore the effect of the CMB sale, rose 20.5 per cent to £23.2m.

Earnings per share fell from 7.5p to 7.2p, excluding exceptional items, because of the dilution from the sale of the CMB stake. Including exceptional earnings were 24.5p. The interim dividend goes up 3 per cent to 2.55p (2.75p).

The CMB stake contributed £5.2m (£20.6m) in associate

income during the half year to end-June, and the proceeds of the sale reversed an interest charge of £2.5m to interest receivable of £3.1m.

It also produced an exceptional profit of £100.3m, against which a £7m provision was set relating to the restructuring of the UK cheque printing operation.

The group, which is changing its name to Caradon, increased turnover by 13.5 per cent to £368.4m, including £2.9m of sales from the US Checks in the Mail business bought at the end of May.

Turnover from the UK building products division increased 10 per cent to £205.4m, with volumes up 11 per cent and prices down 1 per cent. Operating profits fell 3 per cent to £17.3m.

Mr Peter Jansen, chief executive, said that pricing was particularly competitive in bathroom products. He said signs of

recovery were mixed but this was normal at this stage of the cycle and the group was fairly confident.

Overseas building products, largely continental Europe, increased turnover by 18 per cent to £63.4m, but in local currency terms turnover was static with volumes down 3 per cent and prices up 3 per cent.

Operating profits rose 33 per cent to £10m, again boosted by currency translation. Mr Jansen said business on the Continent held up relatively well, with the German construction industry benefiting from changing social needs.

Security printing turnover rose 22 per cent to £98.6m, though in dollar terms the US business increased sales 1 per cent, with volumes up 5 per cent and prices down 4 per cent. Operating profits were 40 per cent higher at £23.9m, including a £600,000 contribution from Checks in the Mail.

Maggie Urry on why RTZ's £800m disposal solves MB-Caradon's predicament

THE enthusiastic response by the stock market to MB-Caradon's purchase of RTZ's industrial activities was as much relief at the deal as done as a welcome for the acquisition.

MB-Caradon was in a tricky situation. In April it raised £487.5m net of costs from selling its quarter stake in CarnaudMetalbox, the packaging group, and the money was burning a hole in its pocket.

With a market capitalisation yesterday morning of £1.43bn, the CMB money represented almost a third of MB-Caradon's worth.

With interest rates low, the return on the cash was negligible compared to what it could be earning if invested in a business. That was bound to depress the group's current year earnings.

So MB-Caradon needed to put that money back to work as quickly as possible, and wanted to invest in the area of building products which it regards as its core.

At the same time, the stock market was pushing up the prices of likely target companies as it anticipated the effect of recovery on such cyclical stocks.

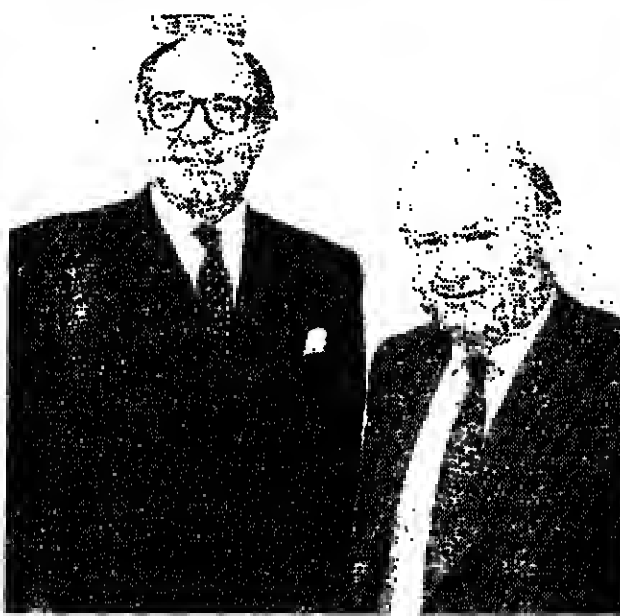
The market feared that MB-Caradon's urgent need to invest would draw it into a hostile bid for a quoted company, and force it to pay well over the odds.

Said one analyst yesterday: "The RTZ deal is the answer to a maiden's prayer. As far as buying a quoted company goes, MB-Caradon was left for dead. The market had pushed up prices, leaving no room for a takeover premium."

Another concern was MB-Caradon's earlier intention to expand in European building materials. With recession still deepening in continental Europe, but asset prices not yet reflecting that, it would have been just the wrong time to buy.

The £800m deal announced yesterday to buy most of RTZ's Pillar group of industrial businesses is by far the better solution.

It takes MB-Caradon into the North American building products market, and adds leading brands in the UK, such as MK Electric, Friedland, Catnic and Duraflex.



Peter Jansen (left) and Antony Hitchens will be pushing through margin enhancement from 2.9 per cent in North America.

The European business is relatively small at 8 per cent of turnover.

The acquisition price might look high at first - the exit pie on stated pre-tax profits of £51.2m is about 24. But that is after £16.5m of head office costs - which MB-Caradon might have - and £8.6m of reorganisation costs. Adjusting for those and the pension contribution MB-Caradon will have to pay, the exit pie for 1992 might be nearer 19, somewhat below the building materials sector rating.

Even so, the deal is a bold step. It will double the size of MB-Caradon's building products operations, and brings in a few businesses about which the group knows nothing.

But in spite of its short history, MB-Caradon is no stranger to the big deal. And Mr Peter Jansen, chief executive, and his team have built a faithful following in the City.

The original business of Caradon was formed in 1985 through a £61m management buy-out of the building activities of Reed International, which was beginning to concentrate on its publishing interests.

The CMB stake always looked out of place, but it was not till this year that it could be sold for a good price.

Mr Jansen said MB-Caradon first approached RTZ about the Pillar businesses 18 months ago, beginning detailed negotiations once the CMB stake had gone.

The talks must have involved some hard bargaining. RTZ was keen to sell the whole of the Pillar business, but MB-Caradon only wanted the building products activities.

In the eventual compromise, MB-Caradon has ended up with businesses making 72 per cent of sales from building products, another 12 per cent from automotive components, which will fit with MB-Caradon's existing automotive businesses, and the rest in areas the buyer knows little about but believes has some value.

The success of the deal depends on MB-Caradon pushing Pillar's margins up to its own levels.

In 1992, the Pillar businesses being acquired made an operating profit of £75.4m on sales of £381m, a margin of 7.7 per cent.

MB-Caradon's own building products activities had turnover of £500.8m and operating profits of £54.1m, a 10.8 per cent margin.

The particular area of concern must be North America, where turnover of £333m from building products in 1992 produced profits of only 2.9 per cent, a margin of 2.9 per cent.

The hope must be that MB-Caradon can inject its sales

and marketing flair into the RTZ activities. It aims to bring its ideas of branding and differentiation to the Pillar businesses.

Mr Jansen gave a clue as to what might happen yesterday when he said that Featherbed, which makes wooden doors and windows in the US, was an upmarket product with a downmarket sales approach, suggesting that prices could be pushed higher while quality was emphasised.

With about 13 per cent of the US market for windows and doors, MB-Caradon reckons that it has a good position to build on.

While Mr Jansen, a Dutchman, still hopes to expand in Europe in the longer term, in the next couple of years at least, the group will be riding the UK and US economic cycles and pushing through margin enhancement.

Yesterday analysts were pencilling in a strongly advancing profit and earnings per share path.

The deal, due to be completed at the end of October, will make little difference to current year profits, which were already forecast at about £155m before exceptional and tax.

But for 1994, analysts are looking at numbers of about £200m and perhaps between £240m and £250m for 1995. That suggests a pie reducing sharply from the prospective multiple for 1993 of about 22.

From a £61m mbo to profits of £250m in 10 years would be an impressive record, justifying the City's faith in the MB-Caradon team.

RTZ will net some £900m from Pillar disposals

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, the world's biggest mining company, will have raised about £1.2bn cash from disposals once it banks the money from the sale of the Pillar businesses. But don't expect it to go on a buying spree.

Mr Bob Wilson, chief executive, said the cash - including £900m (£400m) from the sale of oil, gas and gold assets from the Nervo US coal company acquired for £1.1bn earlier this year - would not open up any new opportunities for RTZ, which was continuously looking for mining investments around the world.

But these opportunities came along only sporadically and RTZ had no deals nearing completion in the next few months.

Sir Derek Birkin, RTZ's chairman, said the sale of Pillar "is consistent with RTZ's strategy of concentrating solely on our world-class mining assets where we have strong competitive advantages."

The deal with MB-Caradon was signed at 7.31am yesterday, after months of negotiations. MB-Caradon said it first asked RTZ 18 months ago if Pillar might be for sale and was told it could be at the right price. But MB-Caradon could not move until it had sold its stake in CarnaudMetalbox, a process it put in train early this year.

Mr Wilson said MB-Caradon made its approach six months ago, after which RTZ discreetly canvassed other potential buyers and also considered breaking up Pillar before deciding on the chosen route. "We have satisfied ourselves we got the best-possible deal."

Earlier this year RTZ sold various smaller Pillar operations, principally the Skipper vehicle distribution business in the UK, for £30m.

The remaining Pillar operations suffered "modest" losses last year, Mr Wilson said. These are to be disposed of "as soon as practicable."

RTZ said that including the earlier sale and on completion of all the Pillar transactions, together with tax previously provided for, RTZ would realise about £900m.

Last year, net earnings of the whole Pillar business were £20m after charging £10m after tax in reorganisation costs.

Once all the Pillar assets are sold RTZ expects to face an exceptional loss of about £165m after writing back goodwill - mainly arising from the 1988 acquisition of the minority interests of Indal in Canada - and other accounting adjustments. RTZ said that, without the write-back of goodwill, there would have been a profit of about £245m, representing a 40 per cent premium on net asset value.

On completion of the sale to MB-Caradon, RTZ's gearing will fall from about 40 per cent to 14 per cent.

MB-Caradon's new look

Sales by region*

Continental Europe

£198m (12%)

UK

£267m (53%)

North America

£573m (55%)

Product sales*

Automotive

£165m

Security printing

£181m

Building products

(N.America)

£533m

Building products

(Europe)

£269m

Operating profits*

Industrial

£11.3m

Automotive

£13.9m

Security printing

£28m

Building products

(N.America)

£9.5m

Building products

(Europe)

£94.8m

MB There is an additional £2m turnover in other countries

*1992 profits for enlarged group

SOUTH AFRICAN RESERVE BANK

ON THE THRESHOLD OF A NEW ERA

Extracts from the address by Dr C. L. Stals, Governor of the South African Reserve Bank, at the seventy-third ordinary general meeting of shareholders of the Bank on 24 August 1993

Introduction

The recession in the South African economy, which had started in March 1989, deepened considerably in 1992 and then levelled off in the first half of 1993.

Two major developments influenced the course of the economy during the past eighteen months. Firstly, the severe drought of the 1991/92 agricultural season adversely affected not only economic activity in the summer rainfall areas, but also the balance of payments, the foreign reserves and the overall liquidity situation.

Secondly, the protracted negotiation process aimed at political and racial reform and the further escalation of violence and social unrest, prolonged the state of business uncertainty and delayed the recovery of investment and consumer confidence.

These local developments occurred against the backdrop of a global economy that remained fairly depressed. Turnover in the foreign currency markets since September 1992, the de facto suspension of the European Exchange Rate Mechanism and volatile exchange rate movements among the major currencies also affected the South African balance of payments.

Domestic economic activity bottoms out at low level

After more than three years of almost unmitigated declines, the quarterly change in the real gross domestic product, measured at an annual rate, showed welcome increases of 1.1 per cent in the first and 9 per cent in the second quarter of 1993. This was preceded by sharp declines of 5.1 per cent in the third and 4.1 per cent in the fourth quarter of last year.

Total real domestic expenditure continued to drift downwards throughout 1992, and then showed a rather strong increase at a seasonally adjusted annualised rate of 9 per cent in the first quarter of 1993. These developments were reversed in the second quarter when a large decline in inventories was reflected in the volume of exports rose and that of imports declined. Total real gross domestic expenditure accordingly declined again at a seasonally adjusted annualised rate of as much as 12 per cent in the second quarter.

The severity of this long-drawn-out recession is best illustrated by the fact that total employment in the formal non-agricultural sector of the economy declined by 4.8 per cent, or by nearly 236 000 employment opportunities, from the beginning of the recession in 1989 up to the end of 1992.

Vulnerability of balance of payments illustrated by sharp decline in foreign reserves

Over the three years from the middle of 1989 to the middle of 1993, South Africa's net gold and foreign exchange reserves increased by R6.2 billion, but in the subsequent nine months from June 1992 to March 1993 they declined again by R2.7 billion. All the progress made through the painful adjustment process of three years of depressed domestic economic conditions was therefore lost again in a relatively short period of time. In 1993, the official net foreign reserves position in the middle of 1993 was only slightly better than it was four years ago.

The severe downturn through a decline in the exports of agricultural products, a decline in payments through a decline in the exports of agricultural products on the one hand, and a substantial increase in gross imports, on the other, was only in the second quarter of 1993 when the imports of agricultural products contracted and total exports of merchandise, including gold, rose sharply, that the current account surplus increased again. Indeed, on a seasonally adjusted and annualised basis the current account surplus in the second quarter exceeded R10 billion.



The deterioration in the foreign reserves position also reflected an escalation in the net outflow of capital from the middle of 1992. Over the twelve months to the end of June 1993, the total net outflow of capital not related to reserves amounted to R9.8 billion. It was only towards the end of the second quarter of 1993 that the improvement in the current account, supported by a rising gold price, finally pushed the current surplus to a level again in excess of the net capital outflow. At this stage, the net foreign reserves returned to a positive level.

Some relief from the pressure on the foreign reserves could come from an early finalisation of the ongoing negotiations now under way between the South African debt restructuring committee and the representative committee of foreign creditors, and also from a normalisation of South Africa's relationship with the International Monetary Fund and the World Bank Group. Both these important issues are now being negotiated within the complex South African political process, and are being decided conclusively on underlying economic and financial conditions. They do, however, have a profound effect on the current depressed business mood. It is in the interests of the South African economy that these issues be resolved as soon as possible.

Movements in the exchange rate of the rand over the past year also reflected the underlying trends in the balance of payments. In 1992, the nominal effective exchange rate of the rand against the basket of the currencies of South Africa's major trading partners depreciated by 4.3 per cent, and in the first seven months of 1993, by a further 9.2 per cent. After adjustment for the differential in producer price inflation in South Africa and in the relevant other countries, the real effective exchange rate of the rand in June 1993 was 4.2 per cent lower than at the end of 1991.

The financial rand exchange rate remains to an important extent divorced from fundamental balance of payments developments. It largely reflects the frequently changing perceptions that foreign investors hold of political developments in South Africa. In the first six months of 1993, non-resident nevertheless made substantial investments on the Johannesburg Stock Exchange, particularly in gold mining shares. On a net basis, they invested R2.7 billion in South African shares and bonds through stock exchange transactions, and thus absorbed a substantial part of the liquid financial rand balances held by non-residents in the form of designated deposits with South African authorised dealers in foreign exchange. In the process, the financial rand exchange rate appreciated by 4.8 per cent in the first seven months of 1993, after having depreciated by 34.7 per cent in 1992. The financial rand discount was 2.3 per cent in December 1992, narrowed to 37.2 per cent on 31 December 1992, to 24.4 per cent on 13 August 1993.

Growth rates in the money supply declines and interest rates come under pressure

In the situation of the depressed real economic activity of the past year and under the influence of the net outflow of funds in the rest of the world, the rate of growth over twelve months in the M3 money supply slowed down from 10.4 per cent in February 1992 to 8.0 per cent in December 1992.

During the first seven months of 1993, the growth rate in the broad money supply slowed even further. Over the twelve months to the end of June 1993, M3 increased by only 3.5 per cent, which was below the lower level of the monetary guidelines of 6.9 per cent announced by the Bank in 1993. An increase in the velocity of circulation of M3 over this period, however, compensated partly for the lower rate of increase in the M3 money supply itself.

The rate of increase in M3 was also influenced by a significant slowdown in the expansion of bank credit to the private sector. Over the twelve months up to the end of June 1993, the banks' total claims on the private sector rose by only 7.0 per cent above the level of 12 months earlier.

The strong declining trend in money market interest rates which had commenced already in February 1990 and which gained considerable momentum during the first nine months of 1992, was also tempered by the deterioration in the overall balance of payments situation. A few of the more flexible short-term interest rates actually tended to move upwards again in the second quarter of 1993.

The Reserve Bank on two occasions during the past twelve months endeavored lower interest rates in the market by reducing its Bank rate. After having been reduced gradually from a peak of 18 per cent to 15 per cent in three steps from March 1991 to June 1992, Bank rate was reduced further to 14 per cent in November 1992 and again to 13 per cent in February 1993.

Increase in public-sector borrowing requirement

The total borrowing requirement of general government rose from R2.1 billion in the fiscal year 1990/91 to R3.7 billion in 1992/93. At this level, the borrowing requirement represented 9.5 per cent of gross domestic product. It also exceeded general government capital expenditure by a substantial margin. Although it was possible to finance the total general government deficit of 1992/93 with relative ease in the depressed economic climate of the past year, a continuation of dissaving by government on the same scale is bound to compete sooner or later with increases in the demand for funds that will emanate from the private sector, particularly once the economy starts recovering again.

The Reserve Bank fully supports the efforts of the Minister of Finance to reduce the size of the deficit, even in the current depressed economic environment. In terms of central government budgetary policy for 1993/94, the deficit before borrowing will be reduced to R25.9 billion, down from R29.4 billion in the preceding fiscal year.

Inflation in the single-digit range

It remains the prime objective of monetary policy to achieve a low and stable rate of inflation to ensure durable economic growth. In the medium and longer term price stability is a necessary condition, though not in itself a sufficient guarantee, of course, for a high level of investment, rapid economic growth and full employment.

Some further progress was made towards this goal with the rise in the all-goods production price index, measured over periods of twelve months, remaining below the level of 10 per cent throughout the past year, and with the rise in the consumer price index falling to 9.6 per cent in December 1992 and to 9.0 per cent in February 1993. Sharp increases in educational fees in March 1993, a four percentage point rise in the rate of value added tax from 10 to 14 per cent, an increase in the price of petrol and increases in other indirect taxes in April 1993, caused the twelve-month rate of increase in the overall consumer price index to accelerate to 11.0 per cent in April, before it declined again to 10.0 per cent in June 1993.

The underlying inflationary pressures subsided significantly in the past year. When the one-off effect of the increase in the value added tax rate in April 1993 is excluded, the rate of consumer price inflation in June 1993, measured over a period of twelve months, was only about 8 per cent, compared with the even better overall producer price rate of inflation of only 6.4 per cent.

The social consequences of inflation should also not be underestimated. Stable money is not only a necessary condition for economic growth, but also for a viable democracy. Hyperinflation has in the history of the world not only destroyed the economies of countries, but has also led to the destruction of many democratic social systems. South Africa now needs financial stability more than ever before, not only in support of sustainable economic growth so desperately needed by all, but also to underpin any new democratic dispensation.

Changes in the financial regulatory structure

The Government announced its acceptance of the sound principle of a holistic approach to the regulation of financial services. This decision was prompted by the development of multi-functional institutions which requires co-ordination, not only of the determination of financial regulation policy (in order to achieve competitive neutrality or a "level playing field"), but also of its implementation and of financial supervision.

The Government appointed a Policy Board for Financial Services and Regulation. The Board was not assigned executive powers. As its name indicates, however, it was given the responsibility of formulating and co-ordinating policy relating to the further development of the financial services sector and to financial regulation. In terms of this arrangement, the Office of the Registrar of Banks within the Reserve Bank will remain responsible for banking regulation and supervision, and the Office of the Executive Officer of the Financial Services Board, for non-bank financial regulation and supervision.

In recognition of the need for the encouragement of the financial sector to provide adequate financial services across the total spectrum of the South African economy, the Registrar of Banks revised the Mutual Building Societies Act and recently published in its place a recommended

new Mutual Banks Bill. This Bill allows for the registration of "informal" banking institutions and of the existing two permanent mutual building societies as mutual banks, in providing for the capitalisation of banks through mutual participation rather than equity shareholding. The Bill could serve as a useful bridge between the informal and the formal sectors of the financial system.

The Reserve Bank and the financial markets

During the course of the past twelve months, a number of changes were introduced to the rules governing the relationship between the Reserve Bank and the financial markets.

Firstly, a new simplified basis for the calculation of the minimum cash reserve and liquid asset requirements for banking institutions was introduced. The new basis includes all liabilities of banks and no longer draws a distinction between short, medium and long-term liabilities. The new basis therefore, now approximates the broad definition of the money supply (M3) which, from a monetary policy point of view, is currently regarded as the principal monetary aggregate.

Secondly, on 1 May 1993 the Bank introduced a simplified system for providing accommodation to banking institutions to cover the regular money market shortages. The old system of discounting eligible paper at a series of different rates has now been replaced by a system of extending overnight loans against the collateral of acceptable paper. In the new system, bankers' acceptance bills have been excluded from the definition of acceptable paper and only short-dated government stock and Treasury Land Bank and South African Reserve Bank bills now qualify as collateral for the accommodation facility.

Thirdly, with the co-operation of the Department of Finance, arrangements were made for the transfer of at least part of government deposits from the Exchequer account with the Reserve Bank to government deposit accounts with private banking institutions. This step anticipates the introduction of proper "tax and loan" accounts that will shortly be opened by the Treasury with banking institutions to serve as depository accounts for tax collections and for the proceeds of loan issues by government.

Fourthly, on 1 July 1993, the Bank ceased to participate in small-value or "retail" transactions in its open-market operations. The Bank previously became involved in the retail business in support of increasing overall market liquidity, and of promoting government stock as an attractive investment instrument. In the judgement of the Bank, the time had come for it to withdraw from this section of the market, and the Bank now confines its participation to larger value transactions of R10 million or more. Agents are appointed on a rotation basis to trade in smaller amounts on the Bank's behalf.

In the longer run, all the aforementioned changes are intended to improve the effectiveness of monetary policy. They also suggest a more flexible interest rate structure that will be more responsive to changes in market conditions. At the same time, the new system incorporates more efficient markets that will automatically be applied to curb excessive credit creation through the discount window of the Reserve Bank. The Reserve Bank's ability to meet its obligation to protect the value of the rand has therefore been enhanced by these changes.

Concluding remarks

There is a growing impatience in South Africa for an early economic recovery. The past year saw yet again a number of exogenous factors depressing the economy. The effect on the South African economy is illustrated by a third year of negative growth in the gross domestic product in 1992, a decline in most of the components of gross domestic expenditure and a distressing further increase in unemployment.

On the more positive side, South Africa survived yet another crisis in its balance of payments and was able to meet all its international financial commitments, including paying for the additional imports of essential food, forced by the drought. Moreover, this was achieved without access to normal international Monetary Fund and certain other international credit facilities.

Good progress was also made towards reducing the high rate of inflation, and towards creating a more stable financial environment in general. The decline in the rate of inflation to a single-digit figure provides sufficient proof that an even lower rate, in line with the 10 per cent now prevailing in the economies of most industrial countries, is attainable also for South Africa.

In the first six months of 1993, real economic activity lifted its head, albeit mainly because of better weather conditions in some parts of the country. These early signs of a "recovery" have, however, not yet extended to all sectors of the economy.

South Africa now stands on the threshold of a new era. There are many high expectations of what the economy will be able to provide in the coming years. The developments in the balance of payments and in the foreign reserves over the past twelve months serve as a stark reminder of what can at this stage realistically be achieved. Within these limits, real wealth can be created only by our own efforts, increased savings, higher productivity, better management and improved production processes. Financial stability is an indispensable pre-condition for the optimum development of all these activities. The Reserve Bank therefore remains committed to its mission, namely the protection of the value of the rand.

27 JULY 1993

COMPANY NEWS: UK AND IRELAND

Circulation levels strong despite rise in cover price

The Telegraph reports 60% rise to £34.6m

By David Blackwell

THE TELEGRAPH newspaper group, which publishes The Daily Telegraph and The Sunday Telegraph, boosted interim pre-tax profits by 60 per cent and lifted the dividend by 22 per cent.

The group attributed the rise to strong circulation levels, a satisfactory advertising performance, and a slight fall in the price of newspaper.

Mr Conrad Black, chairman, said that the directors had sufficient confidence in the results to boost the dividend to 5.5p (4.5p) "despite inconclusive evidence that the recession is ending".

Pre-tax profits for the six months to end-June rose to £34.6m, against £21.6m previously, while turnover improved from £119.9m to £128.1m. Earnings per share advanced to 16.5p (11.1p). The shares closed up 25p to 415p.

At the operating level profits rose from £19.1m to £23.8m. Included in the pre-tax figure was £6.5m from the sale in February of the group's stake in Trinity International Holdings, and £4.4m (£1.5m) in income from associates. The latter rise reflected a strong performance at Fairfax, the Australian publishing group, which saw circulation revenues expand 12 per cent and advertising revenues improve by 5 per cent.

The Telegraph had 18.1 per cent of the Fairfax voting stock at the end of June, and now holds 19.9 per cent with options and convertible notes to take its stake up to 25 per cent. By the end of the year a further £28m will be needed to



Conrad Black: inconclusive evidence of an end to the recession

complete the investment programme, taking the total investment to £115m.

Revenue from circulation was up 9.4 per cent at £56.8m. Circulation of The Daily Telegraph, which increased its cover price in February from 45p to 48p, fell by 1.8 per cent to 1.02m copies in the first half of the year, according to the Audit Bureau of Circulations.

In the same period average quality newspaper circulation fell by just over 3 per cent.

The group said that the Saturday edition of The Daily Telegraph had maintained sales of over 1.2m in the first half, while The Sunday Telegraph had increased sales by more than 10,000.

Overall advertising revenue

was ahead 4.3 per cent at £87.5m, with a rise of 10 per cent in display offset by a fall of 3.6 per cent in classified.

Classified recruitment advertising was half the 1988 level. Advertising made up 54 per cent of the total newspaper revenue and circulation contributed 46 per cent, compared with 56 and 44 per cent respectively in the corresponding period.

Mr Black said that the outcome for the next six months would "depend largely on any level of upturn in the advertising market".

In addition to the expansion of the stake in Fairfax, The Telegraph invested £67m to take an effective 9.38 per cent increase in Southern, the Canadian newspaper group.

BSkyB behind advance at News Intl

By David Blackwell

A MOVE into profits at BSkyB, the satellite television venture, and a £45m swing in interest helped to boost pre-tax profits at Mr Rupert Murdoch's News International from £48.1m to £161.2m for the year ended in June.

Turnover edged ahead by 2 per cent to £708m, from £696.2m previously. However, operating profits for the group - which publishes The Sun, The Times, The Sunday Times and other UK newspapers - rose to £140.9m from a previous £124.9m, a rise of 13 per cent, reflecting an increase in margins.

The group, a subsidiary of the Australian News Corporation, said that revenues from circulation and advertising remained relatively flat throughout the year. But it had continued to benefit from reduced overhead costs and increased efficiency through plant modernisation.

News International said that the benefit of declining interest rates and the effect of new financing arrangements had led to net income from interest of £1.6m compared with a net interest charge of £43.4m for the previous year.

BSkyB, to which News International has a 50 per cent stake, contributed £26.7m following a loss of £13.3m previously. Total losses from associates in 1991-92 were £17.3m. Pearson, owner of the Financial Times, also holds a significant stake in the satellite television company following the merger of Sky Television and British Satellite Broadcasting in November 1990.

Analysts estimate that the total trading profit for BSkyB for the full year was £60m before interest on its guaranteed loan facility estimated at between £6m and £7m. They expect the business, now reaping the benefits of the merger, to increase trading profits to about £150m in the coming year. However, shareholders in BSkyB have yet to earn a return on their investment.

Profits also benefited from a reduction in losses on sales of fixed assets from £16m to £7.9m.

Earnings per share were 15.27p, up from 3.55p. The pay-out on special dividend shares is £3.68p, made up of an interim 0.701p and a final of 0.668p. This compares with 0.997p for 1991-92, comprising 0.524p and 0.453p.

New £135m reinsurance group underlines interest in sector

By Richard Lapper

BARCLAYS DE Zotte Wedd is organising finances for a new Sydney-based reinsurance company in a move reflecting growing investor interest in the market for catastrophe reinsurance.

Reinsurance Australia Corporation is expected to have capital of A\$300m (£168m) and will be headed by Mr Michael Kelly, a senior London underwriter currently with Kemper Re (UK).

Five leading Australian pension funds and life insurance companies are investing in REAC, which may be floated

on the Australian stock exchange within the next 12 months. A further A\$200m could be raised to support the new venture's growth.

The company will underwrite a worldwide account of property excess of loss business and will aim to be a market leader.

Mr Kelly said the "time was right" to launch the new company, which has been under consideration for two years. He believes further rises in rates are likely when insurers renew annual reinsurance programmes later this year and said that the new influx of capacity will not lead to any

resumption of rate competition.

It is the latest in a wave of new ventures formed this year following sizeable rate rises since 1990, a shrinkage of capacity in traditional markets, especially in London, and a strong revival in the sector's profitability.

Investors, mainly from the US, are ploughing more than \$1bn (£600m) into Bermuda, the centre of most recent activity, where at least five new ventures have been formed in recent weeks.

Two new companies have also been formed in London following initiatives by NAC

Re and Liberty Mutual. It has also emerged this week that another specialist London-based reinsurer is to be set up by the Benfield Group, an independent insurance broker.

It is understood that the new venture is aiming to have paid-up capital of £50m, writing about £100m premium income in its first year.

The prospect of rising rates is also leading a number of UK and US banks and securities houses to examine investment in the Lloyd's of London insurance market which is currently opening its doors to corporate capital.

Gloomy outlook at Hickson after 17% midway decline

By Richard Gourlay

HICKSON International, the specialty chemicals and timber treatment company, yesterday disappointed with a 17 per cent fall in profits and a downbeat assessment of second half prospects.

The company also announced a reduction in its capital expenditure programme to prevent gearing from rising further to levels it would consider unacceptable.

The pre-tax profits fell from £14.4m to £12m for the six months to June 30, partly due to a £2.4m increase in the interest bill as deposit earnings fell but the group continued to pay fixed rate debt.

The fine chemicals division, the group's least mature business area, suffered a 39 per cent fall in operating profit to £3.9m. The division suffered

demand and margin pressure in the continental European agrochemicals and detergent brighterener markets.

The result also reflected operating difficulties that were larger than expected following September's explosion at Castelford and included provision for a £250,000 fine related to the accident in which five people died.

"Our management team were too confident and too optimistic about how quickly we could get growth back into this division," said Mr Dennis Kerrison, chief executive.

Group turnover amounted to £186.5m (£173.7m). The interim dividend is maintained at 2.85p, payable from earnings of 4.8p (6.2p).

Since the August 7 explosion at its Irish plant - the group's second

within a year - the shares have shed over 15 per cent of their value in a rising market. Judging by the downbeat statement about second half prospects and the serious deterioration in the fine chemicals division, it is hard to see why the slide should not continue.

Even given an element of yield support the shares remain on a demanding prospective multiple of 20 for this year on profits forecast now at about £21m, almost a third down on predictions 12 months ago. Hickson's problems stem from the lack of predictability in its earnings. It would not take many more fines for environmental misdeeds or extra capital costs to update plant to meet more exacting regulatory standards before the balance sheet started to look stretched or the latest profits forecasts looked suspect.

Bimec to restructure as part of rescue plan

By Richard Gourlay

BANKERS to Bimec, which only two years ago was considered one of the purest of "green" stock market investments, are to write off £5m of debt in a restructuring to keep the receivers at bay.

Announcing the rescue, Mr Roy Barber, chairman, said Bimec would also be suing its auditors, Grant Thornton, for breach of contract and negligence. The perilous state of the company was apparent but undisclosed in the audit for the year ending March 1992. Bimec claims.

The water, waste treatment and engineering company reported pre-tax losses of £16.4m (£8.04m profits) in the year to end-March, on sales down 22 per cent at £80.8m.

This was almost double the sum of profits in the five previous years and leaves Bimec with negative shareholders' funds.

Losses per share amounted to 13.9p (5.1p earnings) and there is no dividend. In 1992 the group announced and then cancelled its final dividend, causing the shares to lose two thirds of their value.

Mr Barber, who was appointed last September, and Bimec's advisers, Schroders, said that without the restructuring, Lloyds, the company's bankers, would be invited to appoint receivers.

As part of the restructuring, Bimec will sell a number of businesses, including assets in its zero and industrial division and two businesses in its water and waste treatment divisions to EIS, the engineering group.

The total proceeds from the sale are expected to be £3m. EIS is paying £5m.

In addition to writing off £5m of debt, Lloyds is converting £500,000 of its loan into ordinary shares and £5m into preference shares.

The bank has also agreed to provide a five-year £4.5m interest free loan.

Lloyds support is dependent on shareholders' approval and Bimec continuing its proposed disposal programme.

Mr Barber said that after the restructuring the group would be focused in waste and water treatment with sales of about £30m. At its peak in 1991 Bimec had sales of more than £100m.

Following the restructuring the company would have repaid, written off or converted all its £16m of net debt and would have the ability to draw down on the Lloyds bank facility, he said.

The issue of shares to Lloyds Bank will dilute existing ordinary holdings by 8 per cent.

The businesses being sold to EIS had combined losses of £2.2m on sales of £24m, after exceptional costs of £2.7m in the last financial year.

Two of the businesses are suppliers of equipment to the process plant, water treatment and environmental industries.

The others develop and supply parts and undertake overhauls and repairs for aircraft and jet engines.

LWT managers to share £70m

More than 40 senior managers at LWT (Holdings), parent of London Weekend Television, will be able to reap the rewards of their substantial bonus scheme next Tuesday. They stand to share some £70m.

LWT said yesterday the unlimited management shares and listed preference shares will convert automatically on Tuesday into ordinary shares.

Executives are expected to sell immediately at least some of their new holdings.

Independent Newspapers leaps

By Tim Coone in Dublin

INDEPENDENT Newspapers, the Irish publishing group, reported pre-tax profits doubled to £14.6m (£13.6m) for the half year to June 30. Turnover was up 5 per cent to £51.5m.

The increase in profits from the previous £7.01m was primarily due to an exceptional credit of £2.65m and a sharp reduction in interest charges.

The exceptional item represented a gain of £2.65m resulting from the disposal of a 2 per cent holding in Mirror Group Newspapers, less redundancy

costs in Irish operations.

Net interest charges fell to £751,000 as a result of the conversion to ordinary shares of the 1991 £50m convertible capital bond issue before the coupon became payable this year. Total shares in issue have increased from 37m last year to some 68m as a result of the conversion and a 2-for-3 scrip issue earlier this year, and will finally amount to 79m on a fully diluted basis.

The interim dividend goes up to 4p (3.3p), payable from earnings of 17.9p (8.7p restated). Mr Tony O'Reilly, chairman,

reported improvements across the group with increases in advertising market share and higher profit contributions from national and provincial titles in Ireland.

Australian Provincial Newspapers, in which the group has a 25 per cent stake, reported a first half pre-tax profit of A\$11.6m (£5.2m), up from A\$5.1m.

Mr O'Reilly said that he anticipates the cable TV subsidiary in Ireland to have 100,000 subscribers by the year-end, up from 60,000 at the end of 1992.

COMMERZBANK

SUBSCRIPTION OFFER FOR PROFIT SHARING CERTIFICATES WITH WARRANTS ATTACHED

By virtue of the authority conferred upon it by the Annual General Meeting of the Company held on 27th May, 1992 the Board of Management has decided to issue DM. 800,000,000 nominal Profit Sharing Certificates with warrants attached ("Profit Sharing Certificates"). Attached to each Profit Sharing Certificate of a par value of DM. 1,000 are four warrants in bearer form. Two warrants entitle the holder thereof, subject to the terms and conditions of the warrants, to subscribe for one bearer share of Commerzbank at DM. 300 for DM. 50 share.

The Profit Sharing Certificates are being offered at an issue price of 110% per DM. 1,000 par value by way of rights at the rate of one DM. 1,000 nominal Profit Sharing Certificate for every 40 shares of DM. 50 nominal held.

The subscription right may be exercised from 1st January, 1994 until and including 15th December, 1997.

The holders of Profit Sharing Certificates will receive an annual distribution of 7.25% of the par value of the Profit Sharing Certificates. The Profit Sharing Certificates will be entitled to distribution as from 15th September, 1993 (i.e. 106/360 for the financial year 1993).

The Profit Sharing Certificates are being offered on the terms of the Company's announcement dated 28th August, 1993. Copies of the announcement with an English translation, are available on request at the office of the London Subscription Agents.

It is not intended to seek quotation for the Profit Sharing Certificates on the London Stock Exchange, however, the subscription rights can be traded under Rule 535.4 during the period 1st September, 1993 to 13th September, 1993 inclusive.

PROCEDURE IN THE UNITED KINGDOM

Holders in the United Kingdom wishing to take up rights must lodge the following:

Bearer Share Certificates - Coupon No. 58 and apply during the subscription period 1st September, 1993 to 15th September, 1993 inclusive, at the offices of the London Subscription Agents between 10.00 a.m. and 3.00 p.m. where lodgement forms are obtainable.

Holders of London Deposit Certificates which have not yet been exchanged for DM. 50 shares in accordance with the notice published on 8th April, 1993, should contact S.G. Warburg & Co. Ltd. with regard to their rights entitlements.

Payment must be made in full on application. Holders wishing to make payment in Sterling should agree the applicable rate of exchange with the London Subscription Agents.

Holders of rights entitlements may instruct the London Subscription Agents to buy or sell rights, on their behalf to round their entitlements but in order to do so their forms must be lodged with the London Subscription Agents by 3.00 p.m. 10th September, 1993.

The Profit Sharing Certificates will be represented by a global certificate which will be deposited with Deutscher Kassenverein AG, Frankfurt/Main. Shares in this global certificate can be transferred in amounts divisible by DM. 1,000. No claims for delivery of definitive certificates can be made.

Coupons should be lodged with:

S.G. WARBURG & CO. LTD.
Paying Agency,
2 Finsbury Avenue,
London EC2M 2FA

COMMERZBANK AG
London Branch,
Commerzbank House,
23 Austin Friars,
London EC2N 2EN

26th August, 1993 COMMERZBANK AKTIEGESELLSCHAFT

City of Copenhagen

ECU 200,000,000 11 1/2 % 1984-1994 Bonds

On August 13, 1993, Bonds for the principal amount of ECU 5,000,000 have been drawn in the presence of a Notary Public for redemption at par on September 28, 1993.

The following Bonds will be redeemed, coupon due September 28, 1994 attached:

0001 to 1165 incl. 6165 to 9560 incl. 19351 to 20000 incl.

Principal amount remaining outstanding on September 28, 1993: ECU 5,000,000

Bonds previously drawn and not yet presented for redemption:

1166 to 1212 incl.	2771 to 2778 incl.	4422 to 4433 incl.
1213 to 1221 incl.	2779 to 2780 incl.	4434 to 4536 incl.
1222 to 1248 incl.	2781 to 2835 incl.	4537 to 4543 incl.
1249 to 1404 incl.	2836 to 2881 incl.	4544 to 4604 incl.
1405 to 1419 incl.	2882 to 2964 incl.	4605 to 4748 incl.
1420 to 1436 incl.	2965 to 2993 incl.	4749 to 4755 incl.
1437 to 1442 incl.	2994 to 3033 incl.	4756 to 4789 incl.
1443 to 1448 incl.	3034 to 3038 incl.	4790 to 4821 incl.
1449 to 1452 incl.	3039 to 3111 incl.	4822 to 4858 incl.
1453 to 1456 incl.	3112 to 3145 incl.	4859 to 4878 incl.
1457 to 1458 incl.	3146 to 3150 incl.	4879 to 4881 incl.
1459 to 1460 incl.	3151 to 3152 incl.	4882 to 4883 incl.
1461 to 1462 incl.	3153 to 3154 incl.	4884 to 4885 incl.
1463 to 1464 incl.	3155 to 3156 incl.	4886 to 4887 incl.
1465 to 1466 incl.	3157 to 3158 incl.	4888 to 4889 incl.
1467 to 1468 incl.	3159 to 3160 incl.	4890 to 4891 incl.
1469 to 1470 incl.	3161 to 3162 incl.	4892 to 4893 incl.
1471 to 1472 incl.	3163 to 3164 incl.	4894 to 4895 incl.
1473 to 1474 incl.	3165 to 3166 incl.	4896 to 4897 incl.
1475 to 1476 incl.	3167 to 3168 incl.	4898 to 4899 incl.
1477 to 1478 incl.	3169 to 3170 incl.	4900 to 4901 incl.
1479 to 1480 incl.	3171 to 3172 incl.	4902 to 4903 incl.
1481 to 1482 incl.	3173 to 3174 incl.	4904 to 4905 incl.
1483 to 1484 incl.	3175 to 3176 incl.	4906 to 4907 incl.
1485 to 1486 incl.	3177 to 3178 incl.	4908 to 4909 incl.
1487 to 1488 incl.	3179 to 3180 incl.	4910 to 4911 incl.
1489 to 1490 incl.	3181 to 3182 incl.	4912 to 4913 incl.
1491 to 1492 incl.	3183 to 3184 incl.	4914 to 4915 incl.
1493 to 1494 incl.	3185 to 3186 incl.	4916 to 4917 incl.
1495 to 1496 incl.	3187 to 3188 incl.	4918 to 4919 incl.
1497 to 1498 incl.	3189 to 3190 incl.	4920 to 4921 incl.
1499 to 1500 incl.	3191 to 3192 incl.	4922 to 4923 incl.
1501 to 1502 incl.	3193 to 3194 incl.	4924 to 4925 incl.
1503 to 1504 incl.	3195 to 3196 incl.	4926 to 4927 incl.
1505 to 1506 incl.	3197 to 3198 incl.	4928 to 4929 incl.
1507 to 1508 incl.	3199 to 3200 incl.	4930 to 4931 incl.
1509 to 1510 incl.	3201 to 3202 incl.	4932 to 4933 incl.
1511 to 1512 incl.	3203 to 3204 incl.	4934 to 4935 incl.
1513 to 1514 incl.	3205 to 3206 incl.	4936 to 4937 incl.
1515 to 1516 incl.	3207 to 3208 incl.	4938 to 4939 incl.
1517 to 1518 incl.	3209 to 3210 incl.	4940 to 4941 incl.
1519 to 1520 incl.	3211 to 3212 incl.	4942 to 4943 incl.
1521 to 1522 incl.	3213 to 3214 incl.	4944 to 4945 incl.
1523 to 1524 incl.	3215 to 3216 incl.	4946 to 4947 incl.
1525 to 1526 incl.	3217 to 3218 incl.	4948 to 4949 incl.
1527 to 1528 incl.	3219 to 3220 incl.	4950 to 4951 incl.
1529 to 1530 incl.	3221 to 3222 incl.	4952 to 4953 incl.
1531 to 1532 incl.	3223 to 3224 incl.	4954 to 4955 incl.
1533 to 1534 incl.	3225 to 3226 incl.	4956 to 4957 incl.
1535 to 1536 incl.	3227 to 3228 incl.	4958 to 4959 incl.
1537 to 1538 incl.	3229 to 3230 incl.	4960 to 4961 incl.
1539 to 1540 incl.	3231 to 3232 incl.	4962 to 4963 incl.
1541 to 1542 incl.	3233 to 3234 incl.	4964 to 4965 incl.
1543 to 1544 incl.	3235 to 3236 incl.	4966 to 4967 incl.
1545 to 1546 incl.	3237 to 3238 incl.	4968 to 4969 incl.
1547 to 1548 incl.	3239 to 3240 incl.	4970 to 4971 incl.
1549 to 1550 incl.	3241 to 3242 incl.	4972 to 4973 incl.
1551 to 1552 incl.	3243 to 3244 incl.	4974 to 4975 incl.
1553 to 1554 incl.	3245 to 3246 incl.	4976 to 4977 incl.
1555 to 1556 incl.	3247 to 3248 incl.	4978 to 4979 incl.
1557 to 1558 incl.	3249 to 3250 incl.	4980 to 4981 incl.
1559 to 1560 incl.	3251 to 3252 incl.	4982 to 4983 incl.
1561 to 1562 incl.	3253 to 3254 incl.	4984 to 4985 incl.
1563 to 1564 incl.	3255 to 3256 incl.	4986 to 4987 incl.
1565 to 1566 incl.	3257 to 3258 incl.	4988 to 4989 incl.
1567 to 1568 incl.	3259 to 3260 incl.	4990 to 4991 incl.
1569 to 1570 incl.	3261 to 3262 incl.	4992 to 4993 incl.
1571 to 1572 incl.	3263 to 3264 incl.	4994 to 4995 incl.
1573 to 1574 incl.	3265 to 3266 incl.	4996 to 4997 incl.
1575 to 1576 incl.	3267 to 3268 incl.	4998 to

Victaulic cites gas factor for drop to £5.8m

By David Blackwell

VICTAULIC blamed reduced demand from British Gas for a 16 per cent decline in pre-tax profits, from £6.9m to £5.8m, in the six months to June 30 1993.

The company makes pipeline products for the gas, water, and construction industries. Total turnover edged ahead to £51.5m (£51.2m), but this included a contribution of £2.6m from Lindapter, a fixings company acquired late last year.

Reduced sales of £48.9m from continuing operations mainly reflected a fall of £3m in the gas sector's turnover to £15m.

The company warned in June that turnover would fall due to lower investment in pipeline infrastructure at British Gas because of uncertainty created by the Monopolies and Mergers Commission inquiry.

The MMC report, published on August 17, recommended that British Gas should retain its ownership of the gas distribution network.

Mr David Stewart, Victaulic's managing director, said yesterday that if the MMC recommendations were accepted, positive benefits would start to emerge as the uncertainty surrounding gas distribution faded. But he forecast no improvement in British Gas purchases this year, and

added: "Until we know the government view we are not committing ourselves."

The company had sought to offset the decline in gas pipeline sales by boosting exports to £7.6m (£4.3m). This had been achieved across the board, taking advantage of weaker sterling and extra capacity available.

Demand from the water industry was steady, with turnover unchanged at £23m.

Net interest receivable was nil, compared with £400,000 in the 1992 first half. The company blamed lower UK interest rates and lower average cash balances after the £4.8m acquisition of Lindapter.

Mr Stewart said the company had been earning interest in the UK to offset interest on £3.5m of borrowings in Europe. "When interest rates reversed we replaced these borrowings," he said, predicting an improvement in the second half.

Earnings per share were 8.8p (10.3p) and the interim dividend is maintained at 2.5p.

The group continued to reduce costs, and working capital had been reduced from 19 per cent to 16 per cent of sales.

Net cash generated was £3.3m. Net cash at the bank rose to £9.6m (£8.3m).

The shares, which fell by 30 per cent to 253p on June 17 after the warning of reduced turnover, closed yesterday up 5p at 301p.

Property Trust continues recovery with £737,000

A TURNAROUND from pre-tax losses of £7.9m to profits of £737,000 was announced by The Property Trust for the year to March 31.

The outcome followed a return to the black in the first half with profits of £426,000 against losses of £6.3m.

The property investment and trading group said the year had been one of "significant progress", featuring a restructuring involving a capital reduction, consolidation of

shares, introduction to the Official List, and a fully-subscribed £2.8m rights issue. As a result, shareholders' funds improved to £2.3m (£4.7m).

Turnover fell from £9.52m to £2.48m, but there were operating profits of £1.48m, against losses of £7.25m. There was no tax and earnings per share emerged at 5.6p (88.1p losses).

The company said the new loan facilities were expected to provide an annual interest saving of about £100,000.

Weeding out the weakest links in the chain

Neil Buckley on how Boots and WH Smith plan to revamp their loss-making Do It All DIY business

HOW do Do It All do it for what they do it for? The DIY chain's television advertisements used to ask.

The answer these days is that they don't. Or rather, they have been doing it only at a trading loss, and losing market share in the process.

Yesterday, WH Smith, which has a 50 per cent stake in the joint venture along with Boots, said its share of losses for the year to May were £14.3m, with sales down by 7.3 per cent.

With some justification, Smith can point to the tough trading environment in the DIY market as an excuse.

After enjoying double-digit profits growth in the late-1980s through rapid expansion and pushing up gross margins from about 30 per cent to about 34.5 per cent, DIY chains have had a difficult 18 months.

The collapse of the housing market put them under pressure, and a price war which raged for much of last year damaged both profits and margins.

Despite the difficult conditions, the two largest DIY chains, B&Q and Homebase, have remained in the black. But Do It All is finding it increasingly difficult to be number three in the market, and suffers from a number of internal weaknesses.

The chain was formed in

1990 from the merger of Boots' Payless, acquired as part of the £900m takeover of Ward White in 1989, and WH Smith's Do It All chain.

Profits and margins at both chains had been deteriorating before the merger, which was supposed to create a large, powerful business that would benefit from economies of scale. Instead, the new Do It All was hit by a double whammy.

It was born just as the housing market went into decline,

had different ranges. These were later rationalised and standardised, but that led to an increase in items out of stock, and to confusion, particularly among former Payless customers, about Do It All's product offer.

Boots and Smith still insist they are committed to turning the business around. First, a full "portfolio review" is under way, to determine where stores need to be closed or relocated.

Distribution is being centralised, which should lead to

Share of DIY Spending %		1988	1989	1990	1991	1992
B&Q	10.4	11.8	12.7	12.4	13.6	14.7
Homebase	5.9	6.6	7.2	8.1	8.4	9.5
Do It All	2.5	3.1	3.5	3.7	4.0	5.6
Payless	2.7	3.4	3.8	3.7	-	-
Homebase	1.8	2.1	2.4	2.6	2.8	3.2
Great Mills	1.6	2.0	2.4	2.6	2.8	3.3
Wickes	1.7	2.0	2.4	2.4	2.6	2.7

Source: Verdict Estimates

1 = Companies merged in 1990

Source: Verdict Estimates

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COMMODITIES AND AGRICULTURE

German farmers feel 'green' currency pinch

Deborah Hargreaves explains how the virtual collapse of the ERM has hit incomes

GERMAN FARMERS are calling for emergency action by the European Commission because of the threat to their prices caused by the virtual collapse of the European Community's Exchange Rate Mechanism earlier this month.

"Any further price changes are going to hit us very hard because we're already seen lower prices to farmers from reform of the CAP while we're paying more for our raw materials since our inflation rate is the highest in the EC," Mr Max Zurek, chief economist at the German farmers' union, said yesterday.

The farmers are also protesting against the automatic changes in the "green" currency rates - in line with real exchange rate fluctuations - that have applied to some currencies since the beginning of the year, but which now apply to all of them.

Mr Jochen Borchert, Germany's agriculture minister, is pushing for a special meeting

of EC farm ministers in the first week of September to discuss the green currency system through which EC price support is channelled to farmers. Mr Borchert has already visited his Dutch and French counterparts this week to

Calls for far-reaching reforms of the 'green' money system are unlikely to be supported by many other countries

gauge support.

EC farmers have been protected from any real drop in farm prices resulting from currency changes since the complex "switchover" mechanism was introduced 9 years ago at the insistence of the Germans.

EC support prices to farmers are set in European currency units, which represent a basket of currencies. The ECU prices must be converted into countries' own currencies at an exchange rate - either fixed or floating.

The switchover mechanism is a complex process for con-

verting ECU into "green" ECU, which effectively makes the Deutschmark the strongest currency in the basket. German farmers have been protected by this system from any cut in farm prices that would follow a revaluation of

the Deutschmark in the ERM. The switchover system was set up to insulate German farmers from any cut in prices - it has kept their support prices steady in D-Marks. But it has also benefited farmers across the EC who have seen prices 20 per cent higher than they would otherwise have been.

The mechanism proved costly to run - it cost the EC an additional ECU1.5bn (£1.4bn) last year. By keeping German prices stable and pushing all other prices upwards the switchover mech-

anism had an in-built inflationary bias.

The commission tried to get rid of the switchover at the beginning of the year because of the introduction of the single market, but the German farm lobby ensured that it remained in place.

Since the switchover was triggered by a revaluation within narrow band of the ERM - a political decision in the semi-fixed exchange rate system - it is now defunct as currencies are allowed to fluctuate widely. The Germans want it applied again to floating currencies, but the commission is not keen. "The commission has now achieved through the action of the finance ministers what it could find no consensus for among agriculture ministers last year," said Mr Zurek.

However, although the switchover is now inoperative, German farmers are unlikely to be supported by many other countries. The UK would strongly resist the return to a switchover mechanism.

"German farmers may not like it, but for the first time, they are in the same position as all other farmers in the EC," one UK farming official said.

German prices down.

UK farmers have seen their farm exports become more attractive and their own support prices rise by about 15 per cent since the UK left the ERM last September. The small devaluation for France and Denmark has pushed up support prices marginally to French and Danish farmers.

But German, Dutch and possibly Belgian farmers fear their prices will fall if the D-Mark continues strong enough to force a revaluation.

That is why farmers claim there must be swift emergency action to remove the threat of price cuts. Chancellor Helmut Kohl of Germany is expected to address the issue in talks with Mr Eduard Balladur, prime minister of France, this week.

But calls for far-reaching reforms of the EC "green" money system are unlikely to be supported by many other countries. The UK would strongly resist the return to a switchover mechanism.

"German farmers may not like it, but for the first time, they are in the same position as all other farmers in the EC," one UK farming official said.

Finland sets out farm support shopping list for EC entry

FINLAND HAS unveiled proposals for supporting its Arctic and sub-Arctic agriculture within the European Community - seen as the most difficult issue in the country's membership talks, reports Reuters from Helsinki.

"Unless we get some so-called Nordic agricultural support we cannot continue agriculture in this country," Mr Pertti Salolainen, the foreign trade minister, told a news conference here yesterday.

Mr Heikki Haavisto, the foreign minister, said the measures Finland would propose in the talks would cost between FM6bn and FM9bn (\$933m and

\$1,040m) a year. He said Finland's goal was for the EC to contribute FM35m to FM3.5m a year.

A package of measures outlining Finland's position includes the following:

- Average support of up to FM2,970 per hectare;
- Livestock support of up to FM4,900 per animal;
- Milk, beef and mutton production subsidies for the two most northern regions;
- Transport support for milk, meat and eggs (excluding the most southern parts of Finland);
- Animal feed support in the three most northern regions.

Finland would also aim at a

12-year transition period to restructure its farming.

The government said price and support levels within the EC's common agricultural policy were not enough for Finland to achieve the agricultural policy objectives of the community.

Finland has a growing season of 180 days or less compared with 220-230 days in Denmark and more in southern Europe.

The package is to be sent to the EC in September to form a basis for further negotiations. The present round of talks started in February. The country aims to become a member of the community in 1995.

Talks fail to resolve fishing row between Iceland and Norway

By Karen Fossell in Oslo

EMERGENCY TALKS between Norway and Iceland aimed at defusing a bitter fishing row centred on cod stocks in the Barents Sea have ended with no resolution.

The purpose of the meetings was to seek agreement on the principles of management of resources with regard to the UN conference on stock management outside coastal state's economic zones and to achieve bilateral agreement between the two countries on fishing in the Barents Sea.

Iceland is now threatening to expand fishing operations to the Norwegian economic zone off the Arctic island of Svalbard and still refuses to acknowledge that Norway has any right to claim jurisdiction over resources in the disputed area.

The week-old dispute involves fishermen fishing in the "loophole", a 62,400 sq km zone in the Barents Sea man-

aged jointly by Norway and Russia, where Arctic cod spawn before making their way into those two countries' waters.

Mr Johan Joergensen Holst, Norway's foreign minister, failed to obtain agreement from Mr Jon Baldvin Hannarsson, his Icelandic counterpart, on the UN principle that the authority of the coastal state to manage marine resources outside its economic zone applies to the Norwegian-Russian Barents Sea "loophole" region.

At a UN conference earlier this month Iceland was one of the strongest proponents of this principle but refused to agree to it in the dispute with Norway over Barents Sea resources.

Norwegian foreign ministry officials said yesterday that the meetings, which were held on neutral ground in Stockholm and also attended by the two countries' fisheries ministers, were to have covered "only

the issue of the UN conference but that Iceland had demanded quotas from Norway for fishing in the Barents Sea.

Iceland also threatened to fish in Norway's economic zone off Svalbard, after having just a week ago asked their fishermen to avoid the area.

The Stockholm meetings ended bitterly with both countries' four ministers leaving hastily without giving a promised media briefing on the outcome of the discussions. Norwegian officials said no new meetings on the dispute were planned but that Norway would at any time welcome a reopening of the discussions.

Norway refuses to yield to Iceland's demands for fishing quotas in the Barents Sea, possibly influenced by the public opinion costs this would entail in an election year - and will continue to step up surveillance of the disputed "loophole" area as long as Icelandic fishermen continue to defy its demands.

Sahel's crops at mercy of airborne invaders

Defences against the locust threat remain woefully inadequate, writes Canute James

THERE ARE strong signs that another desert locust plague is about to hit Sahelian Africa, and according to a recently-published report, unless a comprehensive approach to the problem is implemented the region's already struggling agriculture will be further devastated.

"Events in late 1992 and early 1993 in East Africa suggested that a desert locust plague could once more be brewing, starting in the Red Sea hills of Sudan, Eritrea and Saudi Arabia," says the report by the Panos Institute of London. It refers to warnings from the Food and Agriculture Organisation that there is need for better quality information from surveys if the impending plague is not to be as damaging as the last in 1989-1993.

The painful irony for Sahelian farmers is that while they have the capacity for improved agricultural production, it is also unfavourable to the breeding and proliferation of the desert locust. The report says it was the good rains of 1988 that seem to have stimulated the increased breeding which triggered the 1988-1989 plague.

"So just when there is a year or two of improved rainfall and the prospect of better yields, the threat of locust damages

THE UNITED Nations says a locust invasion of vast desert lands in Pakistan and India is a "time bomb" it is trying to prevent from exploding across the region, reports Reuters from Islamabad.

The locust outbreak could start a cycle of plague lasting several years if it is not stopped, according to a statement from the UN Food and Agriculture Organisation report as saying locusts on both sides of the India-Pakistan border threaten all agricultural production in the

region. "International donors have been requested to provide equipment and chemicals for use by the Plant Protection Department of Pakistan," it says, adding that similar assistance is being provided in India.

"A major outbreak of desert locusts is occurring in the deserts of Sind and Punjab in Pakistan and cross-border in India," the FAO says.

"After invading the area in the middle of July, by flying across the Arabian Sea from Yemen and Oman, the insects now extend throughout vast areas of desert."

increases," the report says. "Many a Sahelian farmer has suffered seeing the first crop after years of poor rains being ravaged by locusts and grasshoppers."

Any attempt to deal with the problem must first come to terms with the fact that it is not only locusts, but grasshoppers, which threaten agriculture in the region. The Panos Institute points out that while locusts are notorious for their capacity for destruction, grasshoppers have no such notoriety. It argues, however, that this distinction is "false".

"While grasshoppers may not have caught the imagination of chroniclers of plagues as locusts have, they too devastate crops and rangeland. In fact, over the last five years they have caused more damage in the Sahel than locusts."

"The experience of the 1986-1988 plague indicated that

the fast action and flexibility needed to deal with the pests were not available, and that once the locusts were on the move the resources supplied to combat their onslaught was sometimes inappropriate and often came too late.

The flight to reduce the locust population and to prevent a plague, or to contain them when they are on the move, is severely hampered by poor communications in the Sahel. It is more difficult to fly to different areas from within the region than it is to reach them from Europe, the Panos Institute says, and moving equipment, fuel and pesticides in the region is far from easy.

"A drum of pesticide to be used in August has to be moved up country by May at the latest," it says. "This means it has to be in the coun-

try no later than April, which in turn means being despatched from its country of origin in January. Yet firm predictions on campaign requirements eight months ahead are impossible."

Few Sahelian national budgets can stand the cost of aerial surveys and efforts at locust and grasshopper control in the region are complicated by difficulties in regional co-operation, while collaboration among institutions in the region has become more difficult because of conflict between or within countries.

The report cites the case of Chad, which it says contains areas of suitable breeding ground for the desert locust that are too large to be covered by ground surveys. In 1987 and 1988 the continuing conflict with Libya meant that aerial surveying in the north was forbidden. In October 1990, poor

relations between Chad and Sudan prevented aerial surveying of large areas on both sides of their common border.

Dealing with the problem demands the establishment of a "single comprehensive and authoritative starting point" for all that concerned with grasshopper and locust control, the report argues. "The cost of pulling together the relevant information is insignificant. While a number of information networks exist, the FAO remains the best forum for the exchange of ideas between scientists, administrators and decision makers."

While donor countries and institutions and Sahelian plant protection agencies are becoming increasingly aware that there is a need for new approaches, the Panos Institute warns that another plague on the scale of that of 1989-1993 could as easily build up.

"Luck may not be in the Sahel's side this time," it concludes. "If technical and institutional capacities are not strengthened and if more sustainable strategies are not developed, the farmers of the Sahel will continue to be vulnerable to devastating crop losses."

Grasshoppers and Locusts: The Plague of the Sahel. The Panos Institute 1993. London.

US sugar cut to cost Caribbeans \$19m

By Canute James in Kingston

CARIBBEAN SUGAR exporters to the US will earn about US\$19m less from deliveries of the 1993-1994 crop, following a reduction in import quotas by the US government.

Industry officials in the region say its cumulative quota for the delivery period, starting in October, is 16 per cent less, in line with an overall reduction in imports by the US government.

The region's quota will be 225,508 tonnes, with the Dominican Republic, the region's largest quota holder, supplying

about three quarters. The country will earn about \$14.5m less because of the quota reduction, the officials say. Other suppliers in the region are Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago.

The US pays quota holders about 20 cents a lb, and the quotas are periodically reviewed by the US Department of Agriculture to determine what quantity of imports are needed to supplement domestic production.

US import quotas have been progressively reduced over the past decade, cutting the earn-

ings of regional producers. The Caribbean industry relies on preferential markets such as those in the US and Europe, because world market prices are hardly there the cost of production in the region's inefficient sugar sector.

In its latest annual report, the Caribbean Development Bank, based in Barbados, said that quota reductions by the US meant that the region was selling increased quantities of sugar on the world market "at prices which are substantially below the preferential prices for sales to Europe and the United States".

WORLD COMMODITIES PRICES

MARKET REPORT

The recent grip on the London Metal Exchange COPPER market by influential traders was not so evident yesterday and prices staged a downward correction. The cash premium over three months metal also eased back from above the \$40 level it reached on Tuesday. The three months position closed at \$1,937.50 a tonne, shedding \$9 of Tuesday's \$33 advance, while the cash premium closed in at \$32.50 a tonne. The ZINC market continued Tuesday's late fall with the three months price dipping to \$885 a tonne at one point. But it steadied on profit-taking to end after the hours trading session at

London Markets

SPOT MARKETS
Copper (per tonne) 1937.50
Zinc (per tonne) 885.00
Aluminium (per tonne) 1510.00
Lead (per tonne) 1950.00
Tin (per tonne) 2100.00
Nickel (per tonne) 1400.00
Silver (per ounce) 15.50
Gold (per ounce) 380.00
Platinum (per ounce) 850.00
Palladium (per ounce) 1200.00

Oil products
Brent (per barrel) 18.50
WTI (per barrel) 18.00
Gas oil (per barrel) 15.00
Heating oil (per barrel) 16.00
Petroleum Argus Estimates

Other
Gold (per ounce) 380.00
Silver (per ounce) 15.50
Platinum (per ounce) 850.00
Palladium (per ounce) 1200.00

Copper (US Production)
LME (per tonne) 1937.50
Thy (per tonne) 1937.50
Zinc (US Production)
LME (per tonne) 885.00
Thy (per tonne) 885.00

Barley (English feed)
LME (per tonne) 110.00
Wheat (US No. 3 yellow)
LME (per tonne) 110.00
Wheat (US No. 3 hard)
LME (per tonne) 110.00

Wool
LME (per tonne) 110.00
Wheat (US No. 3 yellow)
LME (per tonne) 110.00
Wheat (US No. 3 hard)
LME (per tonne) 110.00

COPPER - LME

Close	Previous	High/Low
771	767	780 767
805	815	812 797
827	834	829 818
837	840	838 832
847	855	848 842
857	864	858 852
872	877	872 868
885	886	886 878
889	889	889 880

Turnover: 13,929 (18,029) lots of 10 tonnes
KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

COPPER - LME
Close Previous High/Low
Sep 1272 1268 1272 1260
Nov 1240 1242 1242 1233
Jan 1203 1213 1208 1192
Mar 1185 1197 1185 1178
May 1173 1192 1180 1173

Turnover: 13,929 (18,029) lots of 10 tonnes
KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

CRUDE OIL - IPE
Close Previous High/Low
Oct 17.02 17.12 17.12 16.98
Nov 17.17 17.38 17.40 17.17
Dec 17.35 17.47 17.53 17.33
Jan 17.48 17.51 17.56 17.47
Feb 17.75 17.70 17.75 17.76
Mar 17.75 17.76 17.75 17.76

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Nov 1240 1242 1242 1233
Jan 1203 1213 1208 1192
Mar 1185 1197 1185 1178
May 1173 1192 1180 1173

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Close	Previous	High/Low
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805	815	812 797
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KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

CRUDE OIL - IPE
Close Previous High/Low
Sep 1272 1268 1272 1260
Nov 1240 1242 1242 1233
Jan 1203 1213 1208 1192
Mar 1185 1197 1185 1178
May 1173 1192 1180 1173

LONDON METAL EXCHANGE

Close	Previous	High/Low
771	767	780 767
805	815	812 797
827	834	829 818
837	840	838 832
847	855	848 842
857	864	858 852
872	877	872 868
885	886	886 878
889	889	889 880

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KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

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Close Previous High/Low
Sep 1272 1268 1272 1260
Nov 1240 1242 1242 1233
Jan 1203 1213 1208 1192
Mar 1185 1197 1185 1178
May 1173 1192 1180 1173

Turnover: 13,929 (18,029) lots of 10 tonnes
KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

CRUDE OIL - IPE
Close Previous High/Low
Oct 17.02 17.12 17.12 16.98
Nov 17.17 17.38 17.40 17.17
Dec 17.35 17.47 17.53 17.33
Jan 17.48 17.51 17.56 17.47
Feb 17.75 17.70 17.75 17.76
Mar 17.75 17.76 17.75 17.76

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KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

CRUDE OIL - IPE
Close Previous High/Low
Sep 1272 1268 1272 1260
Nov 1240 1242 1242 1233
Jan 1203 1213 1208 1192
Mar 1185 1197 1185 1178
May 1173 1192 1180 1173

LONDON BULLION MARKET

Close	Previous	High/Low
771	767	780 767
805	815	812 797
827	834	829 818
837	840	838 832
847	855	848 842
857	864	858 852
872	877	872 868
885	886	886 878
889	889	889 880

Turnover: 13,929 (18,029) lots of 10 tonnes
KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

COPPER - LME
Close Previous High/Low
Sep 1272 1268 1272 1260
Nov 1240 1242 1242 1233
Jan 1203 1213 1208 1192
Mar 1185 1197 1185 1178
May 1173 1192 1180 1173

Turnover: 13,929 (18,029) lots of 10 tonnes
KCO indicator prices (US cents per pound) for Aug 25 79.55 (79.48)

CRUDE OIL - IPE
Close Previous High/Low
Oct 17.02 17.12 17.12 16.98
Nov 17.17 17.38 17.40 17.17
Dec 17.35 17.4

INVESTMENT TRUSTS - Cont

MERCHANT BANKS

Oil & Gas - Cont.

PACKAGING, PAPER & PRICE

STORES - Con**MINES - Con**

MINES - Cont.

Safelord
Val Reilly
Western Assoc.
Western Deep
Zimbabwe

O.F.S.
Beant
P2 Cons
P3 Cons
Free State Dev
Hawke
Joe Pili
Lorraine
St Helena
Unisel

Diamond and Platin
Anglo Am Inv
De Beers Ltd US
4000 PI
Anglo
Lydenburg
Murchison Plat
Rustenburg

Central African
Winnick Col. CS.
Winnick's
Pld.
Zambia Cer S&D.

Finance
Ang Am Coal R
Anglo Amer R
Anglo Cons
Anglo Pac Res
Anglostar
Zinc
Saf
Shasta Mining Uo
Curt Bus.
Gentel R
Gentco R
Goldfield S&R
Joang Cons R
Madaya W&R
Monarch R
Monaco Res
New Vests R
OFS Inv R
Rand Mines R

METALS & METAL FORMING

Richmond	412
Royal Dutch Pl	287
Seafair	170

4 1/2pc Dec 2028..	2118 1/2	+1 1/4	2118 1/4
rotation Est	220	-1	220

gas 11
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Vogels... — — — —
 Waverley ...
 1848-1849

Wellman A
Australians		
Assec Expl.
Boulder Gold		
Burnino
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Centenary Int
Central Pacific
Crossco
Delta Gold
Dynex
Dominion
Dragon Mining
Empire		
Equatorial Mining
Goldcorp

INVESTMENT COMPANIES

MISCELLANEOUS

OTHER FINANCIAL

Unice House E ..	22½	+1½	48½
Yr 1	53	+1	55
Yr 2	41		41

boards \$

Justin	—
Koston Gold	
Meekathana	

[illegible]

MEDIA

MOTORS

OTHER INDUSTRIES

Net P ₂ O ₅	138 1/2	+1 1/2	140
Net N	111	—	111

	Notes	Pr
on	\$M	5
Water	24	9

Estimated price/earnings
accounts and, where ap-

[illegible]

SOUTH AFRICANS

- † Internum since reduced
- † Tax-free to non-res
- † Equities of report on

[illegible]

PLANTATIONS

figures is based on
 prospectus or other
 fiscal estimates.
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MINES

Central Range
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East Run
Langston N E
West Run

Roberts Run
F&M
Chicken
Eastern Trail
REG
Toothies
Arrows
Eagle
Under
Pink House

Far West Run
Hydro
Cattle
Refuge
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Arlington
Anderson
Interests
Jail
Multival

Training & Support

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Symbol	Price	Chg	Vol	High	Low	Open	Close	Settle	Notes
342	869	74	2,113	46	108				
343	101	13	108	10	10				
344	1649	536	1824	41	20				
345	308	30	116	180	37	178			
350	32	-2	4979	1479	149				
AFRICANS									
Symbol	Price	Chg	Vol	High	Low	Open	Close	Settle	Notes
2784	5154	773	7308	56	09				
284	2761	154	1202	56	09				
285	181	18	108	11	2				
286	97	88	23	23	1.8				
287	181	79	185	20	2				
288	30	20	135	2152	52				
289	116	575	372	2488	18	151			
290	645	84	218	446	11				
300	386	71	2245	49	87				
ASIAN									
Symbol	Price	Chg	Vol	High	Low	Open	Close	Settle	Notes
100	150	33	131	37					
101	150	33	131	37					
102	150	33	131	37					
103	150	33	131	37					
104	150	33	131	37					
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112	150	33	131	37					
113	150	33	131	37					
114	150	33	131	37					
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116	150	33	131	37					
117	150	33	131	37					
118	150	33	131	37					
119	150	33	131	37					
120	150	33	131	37					
121	150	33	131	37					
122	150	33	131	37					
123	150	33	131	37					
124	150	33	131	37					
125	150	33	131	37					
126	150	33	131	37					
127	150	33	131	37					
128	150	33	131	37					
129	150	33	131	37					
130	150	33	131	37					
131	150	33	131	37					
132	150	33	131	37					
133	150	33	131	37					
134	150	33	131	37					
135	150	33	131	37					
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138	150	33	131	37					
139	150	33	131	37					
140	150	33	131	37					
141	150	33	131	37					
142									

AUTHORISED UNIT TRUSTS

五、附註事項

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Compiled with the assistance of Lautro SS

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● FT Cityline Unit Trial Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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CANADA

CANADA

Sales	Stock	High	Low	Clos	Chng	Sales	Stock	High	Low	Clos	Chng	Sales	Stock	High	Low	Clos	Chng
TORONTO																	
4 pm close August 25																	
Quotations in cents unless marked \$																	
148533	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	41874	Shaw	48 1/2	48 1/2	35	- 1/4
115687	BC Tel	50 1/2	50 1/2	12 1/4	+ 1/4	1700	Exco Ltd	51 1/2	51 1/2	15	+ 1/4	23794	Scars Den	50 1/2	50 1/2	35	- 1/4
74232	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	21861	Shaw Den	50 1/2	50 1/2	35	- 1/4
15564	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	44438	Shaw Den	50 1/2	50 1/2	35	- 1/4
548	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	15630	Shaw Den	50 1/2	50 1/2	35	- 1/4
33836	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	47125	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	625	Shaw Den	50 1/2	50 1/2	35	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	75500	Shaw Den	50 1/2	50 1/2	35	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	22675	Shaw Den	50 1/2	50 1/2	35	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	388	Shaw Den	50 1/2	50 1/2	35	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	18680	Shaw Den	50 1/2	50 1/2	35	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	37202	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	10152	Thomson	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	15230	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	11945	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	2688	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
2						37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	10023	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	1700	Dominion 1st	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	84300	Ex Ray M	51 1/2	51 1/2	15	+ 1/4	1414	Toronto	51 1/2	51 1/2	33 1/2	- 1/4
27121	Albair	51 1/2	51 1/2	12 1/4	+ 1/4	37222	Ontario	51 1/2	5								

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